

## **55<sup>th</sup> ANNUAL REPORT 2017/2018**

**EMS**

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland



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### *Dear Shareholders*

2017 was characterised by political changes in leading industrial countries. The president of the United States, Donald Trump, not only made fundamental decisions with regard to domestic policies, but also modified global political interaction between the super powers. Various international conflicts escalated. In Europe new elections also brought trend changes. Nevertheless, the economy overall showed the expected moderate growth.

EMS faced several challenges. Various interruptions in the supply chain caused shortages of raw materials and their prices increased strongly. This made repeated sales price increases unavoidable for EMS. Compared to the market, EMS was again able to grow over-proportionally with innovative new business and to further expand business with specialities. This even though the global automotive production showed hardly any growth. With innovative solutions and highly sophisticated products, we were able to realise numerous new projects and new business again in 2017.

In accordance with the EMS Annual Targets 2017 "Every employee is a pathfinder: We find the best path to success!" creative ideas and innovative solutions were our focus.

With net sales amounting to CHF 2 146 million, EMS passed the 2 billion mark for the first time. Net operating income (EBIT) also reached a new record level at CHF 582 million.

In order to keep step with growing demand, EMS invested again in expansion of production capacity. In this way, CHF 30 million was invested in Switzerland alone. New production lines for high-temperature polymers and metal-replacement products were taken into operation. In Changshu (China), the most up-to-date and currently largest production site in the world to supply the Chinese automotive industry was inaugurated by EMS-EFTEC.

In 2017, we were once more able to satisfy our customers with innovative automotive interior and

under-the-hood applications, with car-body materials and with weight-saving applications in mechanical engineering. In recognition, we again received renowned customer awards. EMS was named "Supplier of the Year" for the seventh time in succession by globally leading car manufacturer General Motors. Based on this, even more demanding metal-replacement projects were started in joint development work. The second-largest supplier to the automotive industry, Continental, awarded us the title "Premium Supplier". SMR, the largest manufacturer of rear-view mirrors presented us with the "Long-Term Supplier Excellence Award". But EMS is not only a well-known and reliable development partner in the automotive industry. The international Society of Plastics Engineers awarded us the "European Plastics Innovation Award" for a particularly lightweight touring ski boot application. This project represents very well the high performance ability of our innovative EMS polymers.

"The early bird catches the worm" – it's never too soon to learn about science: In order to generate enthusiasm in young people for technical skills, EMS supports projects worldwide to enhance cooperation between industry and education, in order to promote interest in scientific and economic principles. Furthermore, in Switzerland, EMS is proud to train 138 apprentices in 13 professions and more than 100 apprentices from smaller third-party companies.

In addition, primary and secondary school teachers in the region are provided with specific training in how to bring their students closer to the world of chemistry. This is done in a playful way with a so-called "Explore-it-box" which allows teachers to explain scientific laws and phenomena and to transfer knowledge in an easily understood practical way.

Naturally, the two visitor magnets, the imposing exhibition "EMS-CHEMIE – An incredible story" and the science center "EMSORAMA" at the production site in Domat/Ems, Switzerland, enjoy enormous popularity.

For the business year 2018, EMS expects positive development of the global economy with a slowing trend. Certain signs of saturation can however, already be noticed in the markets. Increasing inflation rates and unstable financial markets are having a weakening effect on economic growth. In addition, the increasing number of trade restrictions is unsettling global companies. The tense situation in the raw material markets may continue for the time being.

The successful strategy of global growth with specialty products in the area of High Performance Polymers will be continued. Market positions will be further strengthened and the global markets continually developed with new, innovative products and applications. EMS is preparing for possible changes in the economy with efficiency programmes.

Our success is based above all on our valuable employees and our management team. We would like to express our thanks for their commitment, longstanding loyalty, their great dedication and their sustained successful performance. A special thank you also goes to our customers and business partners for the outstanding cooperation and trustworthy business relations.

We thank you, dear shareholders, most sincerely for your faith in EMS and your loyalty. We look forward to taking on the next business year together and successfully mastering the coming challenges again. Let us shape an exciting future together!



Dr Ulf Berg  
Chairman of the  
Board of Directors



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

## Share Performance

	2017	2016	2015	2014	2013
Number of registered shares	23 389 028	23 389 028	23 389 028	23 389 028	23 389 028
Shares entitled to dividend	23 389 028	23 381 277	23 389 028	23 389 028	23 352 828
Treasury shares	0	7 751	0	0	36 200
Information per share (in CHF):					
Dividend per share	18.00 <sup>1)</sup>	17.00	15.00	12.00	11.00
Of which ordinary dividend	14.50	13.00	11.00	10.00	8.50
Of which extraordinary dividend	3.50	4.00	4.00	2.00	2.50
Earnings per share	20.59	19.19	16.09	14.66	13.58
Cash flow per share <sup>2)</sup>	22.98	21.89	18.78	17.30	16.21
Equity per share <sup>3)</sup>	65.20	60.09	55.18	53.47	50.68
Stock prices <sup>4)</sup>					
High	707.00	547.50	472.00	413.25	331.50
Low	508.00	404.50	327.00	305.45	218.00
At December 31	650.50	517.50	441.00	403.75	317.00
Market capitalisation on December 31 (CHF millions)	15 214.6	12 103.8	10 314.6	9 443.3	7 414.3

Registered shares are listed on the SIX Swiss Exchange.

EMS-CHEMIE	Security number 1.644.035	ISIN CH0016440353	Investdata/Reuters EMSN
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<sup>1)</sup> Proposal of the Board of Directors.

<sup>2)</sup> Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.

<sup>3)</sup> Excluding non-controlling interests.

<sup>4)</sup> Source: Bloomberg.

## Business development

In 2017 the global economy developed as expected in a moderately positive way. Growth in the automotive industry slowed however. This meant that China, the largest automotive market in the world, showed only slight growth while the NAFTA region suffered a significant drop. The European car industry was able to achieve small growth.

EMS was able to realise profitable new business and to achieve a disproportionately high increase in sales volumes compared to the market. Specialty business with specialties was successfully expanded. Raw material prices rose strongly due to supply shortages in the supply chain, forcing EMS to increase sales prices several times. EMS invested in additional production capacity to satisfy growing demand.

Net sales increased by 8.2% to reach CHF 2 146 million (1 983), net operating income (EBIT) climbed to CHF 582 million (548) which is 6.3% above previous year. The operational cash flow (EBITDA) closed at CHF 635 million (604) which is an increase of 5.1% compared to previous year. The EBIT margin was 27.1% (27.6%), the EBITDA margin 29.6% (30.5%).

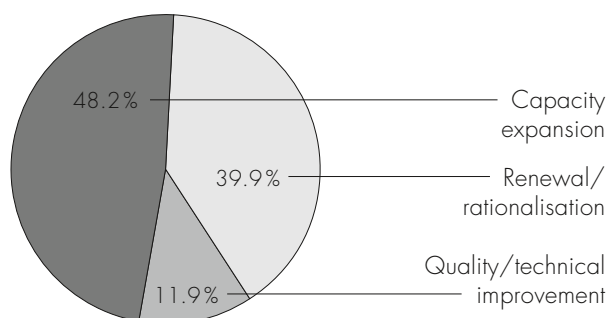
For the business year 2018, EMS expects an overall positive global economic development with a slowing trend. The tight situation in the raw material markets may continue for the time being. The expectation of higher inflation and trading restrictions are unsettling customer markets. EMS will continue its successful strategy of growth with innovative solutions and specialties in the area of High Performance Polymers. For a possible slowing of the economy EMS is preparing with efficiency programmes.

For 2018, EMS continues to expect net sales and net operating income (EBIT) slightly above the previous year.

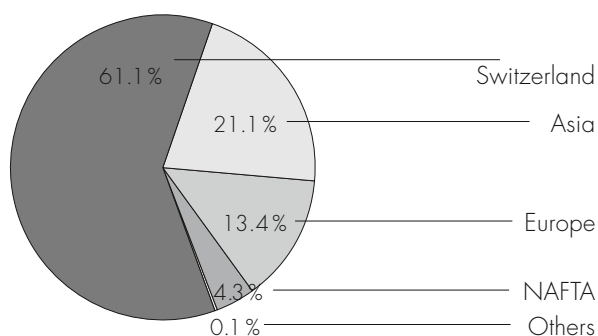
## Investments

Overall investments in 2017 amounted to CHF 49 million (71). The majority of this sum was invested in expanding production capacity.

## Investment by application



## Investment by country and region



## EMS Group production by country

Switzerland	47.1%
Germany	11.9%
USA	9.3%
China	7.7%
Belgium	5.2%
Czech Republic	4.3%
Japan	3.5%
Mexico	2.1%
Taiwan	1.9%
Great Britain	1.6%
Spain	1.2%
Russia	0.9%
Brazil	0.8%
India	0.7%
Others	1.8%

## EMS Group net sales by country

Germany	21.37%
China	14.6%
USA	11.5%
Japan	6.4%
France	5.9%
Italy	3.9%
Switzerland	3.2%
Mexico	3.0%
Spain	2.4%
Great Britain	2.3%
South Korea	2.3%
Poland	2.2%
Czech Republic	2.1%
Austria	1.4%
Sweden	1.4%
Brazil	1.3%
India	1.3%
Canada	1.3%
Russia	1.2%
Taiwan	1.1%
The Netherlands	1.0%
Romania	0.9%
Slovakia	0.9%
Hungary	0.8%
Others	5.9%

### Management structure

At the 2017 Annual General Meeting, Dr Ulf Berg, Magdalena Martullo, Bernhard Merki and Dr Joachim Streu were elected to the Board of Directors for a term of office lasting until the next ordinary Annual General Meeting.

### Personnel

At the end of December 2017, the EMS Group had a total of 2 912 (2 897) employees (excluding apprentices). At the end of the year, the EMS Group employed 138 (144) apprentices in Switzerland covering 13 (14) different vocational

fields. A total of 49 (33) apprentices successfully completed their professional training during the year under review.

### Business areas

The EMS Group operates globally in the business areas of High Performance Polymers and Specialty Chemicals. These areas are further structured into Business Units.

#### High Performance Polymers

EMS-GRIVORY produces customized high-performance polymers (as polyamide granules). Thanks to their high-performance properties and ability to cut processing costs, these materials are used in a variety of applications, particularly in the automotive industry, in the electrical and electronics industry, in optics, as well as in numerous other industrial sectors.

EMS-GRIVORY creates innovative system solutions with customers throughout the world. This includes feasibility studies, manufacture of prototypes, component testing and mould optimization.

Business Unit EMS-EFTEC is specialist supplier to the global automotive industry in the areas of bonding, coating, sealing and sound-damping. In the reporting year 2017, the main business area High Performance Polymers achieved higher net sales amounting to CHF 1 871 million (1 713) and an increased net operating income (EBIT) of CHF 506 million (476). Numerous new applications with high-performance polymers, providing customers with higher performance and, at the same time, lower cost and weight savings, were realized. New, innovative technology for process materials could be introduced on the automotive market.

#### Specialty Chemicals

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

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

In the secondary area of Specialty Chemicals, net sales and result were again increased. Innovative new business had a particularly positive effect on result. In the reporting year 2017, net sales amounted to CHF 275 million (270) and EBIT to CHF 76 million (71).



CHF millions	2017	2016	2015	2014	2013
Net sales revenue	2 145.8	1 983.1	1 905.4	1 971.9	1 885.2
Change in % against previous year	+8.2 %	+4.1 %	-3.4 %	+4.6 %	+7.4 %
Change in local currencies	+7.5 %	+3.8 %	+3.7 %	+7.8 %	+8.7 %
Of which in Switzerland	3.2 %	3.1 %	3.4 %	3.9 %	3.9 %
Net operating income (EBIT)	582.0	547.7	468.6	423.2	368.9
Change in % against previous year	+6.3 %	+16.9 %	+10.7 %	+14.7 %	+15.4 %
In % of net sales revenue	27.1 %	27.6 %	24.6 %	21.5 %	19.6 %
Net financial income	0.9	-5.2	-9.5	-8.5	16.2
Income taxes	98.5	86.9	76.4	65.3	61.3
Net income	484.4	455.5	382.7	349.4	323.8
Change in % against previous year	+6.3 %	+19.0 %	+9.5 %	+7.9 %	+18.3 %
In % of net sales revenue	22.6 %	23.0 %	20.1 %	17.7 %	17.2 %
Cash flow <sup>1)</sup>	537.4	511.8	439.0	404.5	378.9
Change in % against previous year	+5.0 %	+16.6 %	+8.5 %	+6.7 %	+15.5 %
In % of net sales revenue	25.0 %	25.8 %	23.0 %	20.5 %	20.1 %
Investments	49.3	71.5	54.8	52.3	57.4
In % of cash flow	9.2 %	14.0 %	12.5 %	12.9 %	15.2 %
Balance sheet total	2 100.0	1 984.6	1 891.0	1 845.6	1 737.9
Assets					
Current assets	1 460.4	1 337.5	1 257.8	1 194.2	1 096.1
Non-current assets	639.6	647.1	633.2	651.4	641.8
Equity and liabilities					
Current liabilities	390.6	366.6	373.7	388.2	415.3
Non-current liabilities	158.9	190.2	205.5	189.2	123.3
Equity <sup>2)</sup>	1 525.0	1 405.0	1 290.3	1 250.2	1 184.9
Balance sheet equity ratio	72.6 %	70.8 %	68.2 %	67.7 %	68.2 %
Return on equity	31.6 %	31.9 %	29.2 %	27.4 %	26.8 %
Number of employees on December 31 <sup>3)</sup>	2 912	2 897	2 855	2 865	2 670

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

<sup>2)</sup> Excluding non-controlling interests.

<sup>3)</sup> Excluding apprentices (2017: 138; 2016: 144 ; 2015: 141; 2014: 139; 2013: 132).

## Corporate Governance

EMS-CHEMIE HOLDING AG, a holding company by Swiss law, is committed to responsible corporate governance and oversight. The structure and content of this report comply with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (DCG). Detailed principles and rules are also laid down in the company's Articles of Association at [www.ems-group.com/articlesofassociation](http://www.ems-group.com/articlesofassociation) and in the Organisational Rules of the EMS Group. All data refer to the situation as at December 31, 2017, except where stated otherwise.

### 1. Group structure and shareholders

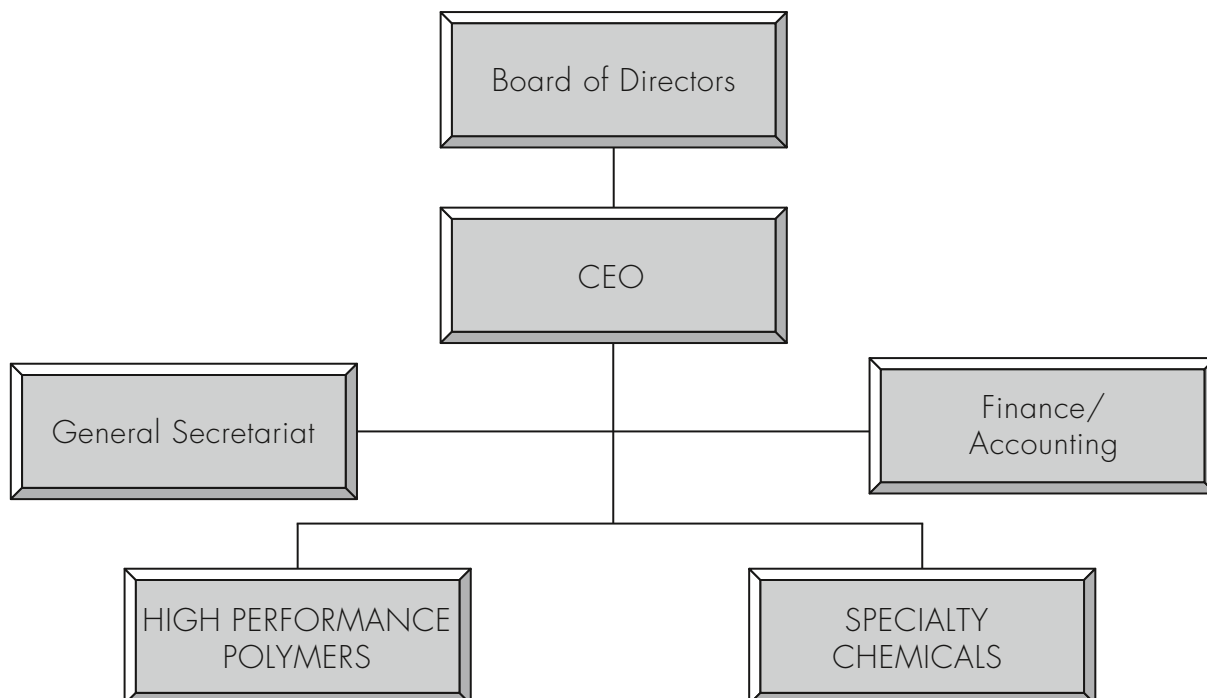
#### 1.1 Group structure

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

The companies of the EMS Group are grouped together in the EMS-CHEMIE HOLDING AG, which has its registered office in Domat/Ems, Switzerland. EMS-CHEMIE HOLDING AG is the only listed company within the scope of consolidation. EMS registered shares (EMSN, ISIN: CH0016440353) are listed on the SIX Swiss Exchange. As at December 31, 2017, the market capitalization of EMS amounted to CHF 15 214.6 million. No subsidiaries hold EMS registered shares.

An overview of the unlisted subsidiaries belonging to the consolidated EMS Group can be found in note 30 in the financial section.

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



## 1.2 Significant shareholders

In the 2017 calendar year, two shareholders held more than 3% of the equity of EMS-CHEMIE HOLDING AG:

EMESTA HOLDING AG holds 60.82% of the share capital of EMS-CHEMIE HOLDING AG and Miriam Baumann-Blocher 8.89%.

## 1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

## 2. Capital structure

### 2.1 Capital /

### 2.2 Authorised and conditional capital in particular

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

### 2.3 Changes in capital

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

### 2.4 Shares and participation certificates/

### 2.5 Profit sharing certificates

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

## 2.6 Limitations on transferability and nominee registrations

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

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

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

## 2.7 Convertible bonds and warrants/options

There are no convertible bonds or warrants/options issued.

### 3. Board of Directors

#### 3.1 Members of the Board of Directors/

#### 3.2 Other activities and vested interests

##### Board of Directors

Name	Nationality	Status	Year of birth	First elected in	Term of office expires
Dr Ulf Berg	Swiss	Non-executive	1950	August 2007	2018
Magdalena Martullo	Swiss	Executive	1969	August 2001	2018
Dr Joachim Streu	German	Non-executive	1956	August 2013	2018
Bernhard Merki	Swiss	Non-executive	1962	August 2014	2018

On December 31, 2017, the Board of Directors of EMS-CHEMIE HOLDING AG consisted of the following four members:

**Dr Ulf Berg** (1950, Swiss citizen, M.Sc. and PhD in mechanical engineering) has been non-executive Chairman of the Board of Directors since August 2007. He worked for ABB (formerly BBC) in various managerial positions in Switzerland and abroad for more than 20 years until 1998. From 1999 to 2001, Dr Ulf Berg was COO/CEO of Carlo Gavazzi Holding AG. From 2003 to 2004, he was CEO of SIG Beverages Int. AG before moving to Sulzer AG as CEO in 2004. From 2007 to 2009, he was non-executive Chairman of the Board of Directors of Sulzer AG, Switzerland. Dr Ulf Berg was a member of the Management Board Committee of Swissmem from 2004 to 2015 and 2006 to 2017 he was a member of the Board of Directors of Bobst SA, Switzerland. From 2012 to 2016 he was a member of the advisory board of Synagro Ltd., Baltimore, USA. Since 2012, Dr Ulf Berg has been a member of the Board of Greater Zurich Area AG, Switzerland, and of Am-Tec AG, Zurich. Since 2016 he has been a member of the advisory board of G+E Getec Holding GmbH, Magdeburg, and Chairman of the Board of Directors of Kuoni Reisen Holding AG, Zurich. He is partner of BLR Partners Ltd. in Thalwil, Zurich, and member of the Board of Directors of various BLR and AM-Tec portfolio firms.

**Magdalena Martullo** (1969, Swiss citizen, Master of Business Administration) is Executive Vice-Chairman of the Board of Directors and Chief Executive Officer of the EMS Group. She joined EMS in 2001 and took command of the Group in 2004 when her father was elected to the Bundesrat (federal council) of the Swiss Government and sold his shares to his four children. Due to her sharehold-

ing in the EMESTA HOLDING AG, she is today majority shareholder in the EMS-CHEMIE HOLDING AG together with her sister Rahel Blocher. Magdalena Martullo graduated from the Hochschule St. Gallen (HSG) in Business Administration. Before joining the EMS Group she held different positions with Rivella AG and Johnson & Johnson AG as well as for various other companies in Switzerland and abroad. She also leads the Board Committee on Economic Policy for scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she has been a member of the Executive Board since 2004. Since 2015, she has been member of Swiss Parliament for the Swiss People's Party of the Grisons in the National Council. Since 2018 Magdalena Martullo is Vice President of the Swiss People's Party of Switzerland and since 2016 member of the party leadership committee of the Swiss People's Party of Switzerland where she is responsible for economic policy. She has also been a member of the party leadership committee of the Swiss People's Party of the Grisons since 2016. In 2017 she was elected member of the Executive Board of economiesuisse, the national Swiss business federation.

**Dr Joachim Streu** (1956, German citizen, Diploma and Ph.D. in organic chemistry) has been non-executive member of the Board of Directors of EMS-CHEMIE HOLDING AG since August 2013. He worked for BASF from 1984 to 2011 where he held many international responsibilities. From 1987 to 1995 he was active in different positions for the BASF subsidiary Elastogran GmbH (thermoplastic polyurethanes and polyurethane systems). From 1995 until 2001 Dr Joachim Streu was Director of BASF Polyurethanes in Brussels. From 1995 until 1998 he was Head of Marketing for the business of polyurethane chemicals worldwide, from 1998 to 2001 Vice President of the Global

Business Unit Polyurethane Specialties. From 2001 to 2004 he was Group Vice President of the Global Business Unit Styrene. From 2004 to 2008 he was Head of BASF Management Consulting and from 2008 to 2010 President of the BASF Division Styrenics. Since 2012 Dr Joachim Streu has worked as an independent corporate consultant.

**Bernhard Merki** (1962, Swiss citizen, Dipl. Masch. Ing. HTL) has been non-executive member of the Board of Directors of EMS-CHEMIE HOLDING AG since August 2014. From 1988 to 2013 he held different management positions within the Netstal Group, Näfels, Switzerland; the last ten years as CEO. From 2003 to 2012, Bernhard Merki served as member of the Executive Committee of the Krauss Maffei AG, Germany, and from 2006 until 2012 as Vice President of the Board of Directors of Netstal-Maschinen AG. From 2005 to 2012 he was President of EUROMAP, the European association for plastics and rubber machinery manufacturers and from 2013 to 2016 he was

a member of the Board of Directors of Hermann Bühler AG, Switzerland. Since 2010, Bernhard Merki is a member of the Board of Directors of RONDO Burgdorf AG and of the Seewer Holding AG, Switzerland. Since 2008, Bernhard Merki is also a member of the Board of Governors of the University of Applied Sciences and Technology in Rapperswil, Switzerland. He is CEO of the 4B AG in Hochdorf, Switzerland, since 2014.

None of the non-executive members of the Board of Directors have ever been a member of any Executive Management within the EMS Group, nor do any of them currently have a direct or indirect business relationship with companies in the EMS Group.

### 3.3 Number of permitted activities outside the EMS Group

As per Article 19 of the Articles of Association, members of the Board of Directors must not hold more than 15 additional mandates.

#### Attendance at meetings of the Board of Directors and committees 2017

Name	Function	Attendance at meetings		
		Board of Directors	Audit Committee	Remuneration Committee
Dr Ulf Berg	Chairman	10 <sup>1)</sup>	6	5
Magdalena Martullo	Vice-Chairman and CEO	10		
Dr Joachim Streu	Member	10	6 <sup>1)</sup>	5
Bernhard Merki	Member	10		5 <sup>1)</sup>
Total meetings		10	6	5
Total duration (hours)		1–5	1–3	1–2

<sup>1)</sup> Chairman

### 3.4 Elections and terms of office

The President and the members of the Board of Directors as well as the members of the Remuneration Committee are elected individually by the Annual General Meeting for a term of office lasting until the next ordinary Annual General Meeting; re-election is possible.

### 3.5 Internal organisational structure

#### Duties of the Board of Directors

The Board of Directors is the highest executive body of the EMS Group. It is responsible for super-

vising and monitoring the company's management and that of its affiliated companies which together form the EMS Group. With the exception of the President and the Members of the Remuneration Committee, who are elected by the Annual General Meeting, the Board of Directors constitutes itself. The Board of Directors has delegated most of the operational management of the EMS Group to the CEO. Special tasks can be delegated to individual members of the Board of Directors or to separate special committees.

#### Board committees: Members, tasks, areas of responsibility

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There are two committees: the Audit Committee and the Remuneration Committee. Their tasks and responsibilities are set out in guidelines. Both committees have assessment, advisory and monitoring functions but no decision-making powers.

As of December 31, 2017, the Audit Committee consisted of two non-executive, independent members of the Board of Directors (Dr Joachim Streu, Chairman, Dr Ulf Berg, member). It assesses the effectiveness of external reporting, internal finance and accounting, internal control systems and compliance with accounting principles. The Audit Committee makes recommendations to the entire Board of Directors regarding presentation of individual and consolidated financial statements to the Annual General Meeting. It also assesses the performance and remuneration of the external auditors.

As per December 31, 2017, the Remuneration Committee consisted of three non-executive members of the Board of Directors (Bernhard Merki, Chairman, Dr Joachim Streu, member, Dr Ulf Berg, member). The Remuneration Committee is concerned with the remuneration policy of the EMS Group (Board of Directors, Executive Management, senior executives). It supports the Board of Directors, in particular in the writing of the Remuneration Report.

#### Working methods of the Board of Directors and its committees

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The Board of Directors and its committees meet as frequently as business demands. The Board of Directors held ten meetings in 2017, each lasting between one and five hours. The Audit Committee held six meetings, each lasting between one and three hours, while the Remuneration Committee held five meetings, each lasting between one and two hours.

The Head of Finance (CFO) also attends the meetings of the Board of Directors and the Audit Committee. Other members of Executive Management and Heads of Business Units are invited to attend meetings of the Board of Directors when it discusses matters relevant to their areas of responsibility. To constitute a quorum, a majority of the members of the Board of Directors must be present. The

Board of Directors makes decisions and carries out elections with a majority of the members present at the meeting. The Chairman does not have a casting vote. Resolutions can also be passed by telephone, electronic media or circular, provided that no member requests discussion in person. Individual members are obliged to abstain from voting on personal matters or on matters involving persons with whom they are closely associated.

Members of Executive Management are invited to attend committee meetings where matters relevant to their areas of responsibility are to be discussed. The provisions relating to meetings and resolutions of the Board of Directors and to the requirement for its members to abstain, also apply to the committees. At the next plenary meeting of the Board of Directors after their committees have met, the committee Chairman reports on the proceedings and submits proposals to the Board for its decision.

### 3.6 Definition of areas of responsibility

The Board of Directors makes decisions regarding all matters not reserved for the Annual General Meeting or another body by law, the Articles of Association or the Organisational Rules. Subject to article 716a of the Swiss Code of Obligations (non-transferable and inalienable duties of the Board of Directors), the Board of Directors has delegated most of the operational management of the EMS Group to Executive Management. These duties and responsibilities particularly include proposing the strategy for the EMS Group to the Board of Directors, achieving the operative and financial results of the EMS Group, reviewing the budgets and medium-term plans of Business Units, deciding on scheduled capital investments up to CHF 5 million and on unscheduled capital investments up to CHF 0.5 million, reaching decisions on the procurement of external capital (e.g. bonds, bank loans) up to CHF 30 million, issuing guarantees in accordance with the guarantee concept proposed to the Board of Directors, receiving periodic reports on business performance and all other significant events, deciding on the initiation and conduct of legal proceedings and submitting proposals to the Board of Directors for legal proceedings of fundamental significance, approving the organization up to the level of employees directly subordinate to Heads of Business Units, submitting proposals to the Board of Directors on the acquisition and disposal of equity holdings, assigning powers to the members of the board of

trustees who protect the interests of the employer in EMS Group pension schemes, proposing authorised signatories to the Board of Directors, permitting heads of Business Units and their direct subordinates to accept seats on Boards of Directors, political offices or honorary offices, enacting the rules of the EMS Group and maintaining personal contact with executive managers of other companies and with important customers.

### 3.7 Information and control instruments vis-à-vis the Executive Management

The Board of Directors receives consolidated quarterly financial statements prepared in accordance with IFRS. Along with the income statement, these mainly provide information on the balance sheet, the cash flow account and changes in equity. Additionally, at the end of each month, the Board of Directors receives a written report from the CEO regarding business performance during that month and the expected monthly result. On the 4th working day of the following month, it receives the monthly income statement with the most important key figures, which are compared with the budgeted figures and those of the previous year. It is also provided, in the same detail, with monthly updated forecast calculations for the end of the year. This serves to monitor the achievability of the budget. Furthermore, at each meeting of the Board of Directors, the CEO and CFO report on the course of business and on all matters relevant to the Group, while the two committee Chairmen report on the matters they have dealt with, detailing their significant findings and assessment and submitting proposals accordingly. Every year, the Board of Directors discusses and approves the budget for the following year, as well as rolling medium-term planning for the next three years. The CEO informs the members of the Board of Directors of any extraordinary events without delay by circular or other appropriate means. At Board meetings, any member of the Board may request information from other members or from Executive Management on any of the company's affairs. Between meetings of the Board of Directors, any member may request information from the CEO on the course of business, and – with the approval of the Chairman – on specific business events, and/or may inspect business documents. At their own discretion, members of the Board of Directors visit Group companies and participate in the two-monthly Management Meetings held by Executive Management with the Heads of the Business Units in order to

form an independent view of the Group's operating activities and the implementation of its strategy. During the year under review, 16 internal audits were conducted by Group Financial Controlling at Group companies as part of an overall audit plan approved by the Board of Directors and commissioned by Group Financial Controlling. These focused mainly on bookkeeping and compliance. Group Financial Controlling discusses all audit findings in detail with the companies and Business Units concerned, and the most important measures are agreed on. In the event of disagreement between the auditors and the company audited, the different positions are stated transparently. An audit report is prepared containing the overall audit findings. Members of the Audit Committee, the CEO and the CFO each receive a copy of every internal audit report. Following each audit report, the CEO and CFO present the Audit Committee with the measures to be implemented by Group management. All significant measures are continuously monitored by the Audit Committee. In the event of discrepancies, the CEO and CFO must comment on them and present proposals for corrective measures. Although Group Financial Controlling is subordinate to the CFO, it reports directly to the Chairman of the Audit Committee with regard to these activities. Group Financial Controlling also regularly keeps the Audit Committee informed of such changes in the field of accounting. The legal service of the EMS Group reports regularly to the Board of Directors on any legal changes important to EMS. Twice a year, the Audit Committee is notified of all litigation cases that are underway or impending. Besides the status of the individual cases, the report focuses on risks and opportunities they represent, costs and other possible effects.

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

## 4. Executive Management

### 4.1 Members of Executive Management/

### 4.2 Other activities and vested interests

**Magdalena Martullo** (1969, Swiss citizen, Master of Business Administration) is Executive Vice-Chairman of the Board of Directors and Chief Executive Officer of the EMS Group. She joined EMS in 2001 and took command of the Group in 2004 when her father was elected to the Bundesrat (federal council) of the Swiss Government and sold his shares to his four children. Due to her shareholding in the ERESTA HOLDING AG, she is today majority shareholder in the EMS-CHEMIE HOLDING AG together with her sister Rahel Blocher. Magdalena Martullo graduated from the Hochschule St. Gallen (HSG) in Business Administration. Before joining the EMS Group she held different positions with Rivella AG and Johnson & Johnson AG as well as for various other companies in Switzerland and abroad. She also leads the Board Committee on Economic Policy for scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she has been a member of the Executive Board since 2004. Since 2015, she has been member of Swiss Parliament for the Swiss People's Party of the Grisons in the National Council. Since 2018 Magdalena Martullo is Vice President of the Swiss People's Party of Switzerland and since 2016 member of the party leadership committee of the Swiss People's Party of Switzerland where she is responsible for economic policy. She has also been a member of the party leadership committee of the Swiss People's Party of the Grisons since 2016. In 2017 she was elected member of the Executive Board of *economiesuisse*, the national Swiss business federation.

**Peter Germann** (1959, Swiss citizen, Master of Business Administration) has been a member of the Executive Management since January 2004 and was the EMS Group's Head of Finance (CFO) from 1994 to 2017 – interrupted by one year as Head of Finance with the Ascom Group. Peter Germann previously held a variety of management positions, his last position being Head of Finance with the Arbonia-Forster Group.

**Stefan Baumgärtner** (1971, Swiss citizen, Dipl. Controller NDS HS, Executive Master of Business Administration University of St. Gallen, Industrial and Management Engineer FH, IIS Vaduz) has been a member of the Executive Management and

the EMS Group's Chief Financial Officer (CFO) since October 2017. Before this he held various leadership positions in finance and business management of different Swiss companies, most recently as Division Chief Financial Officer for RUAG Space since 2014.

**Darko Radanovic** (1976, Swiss/Serbian citizen, Dipl. Sales Manager MKS, Dipl. Techn. Sales Manager KS) will be a Member of Executive Management from February 2018 until February 2019 before taking up the position of Business Unit Leader EMS-GRIVORY Europe. Following an apprenticeship as chemistry laboratory assistant with EMS-CHEMIE in Domat/Ems, he started work in 1995 as laboratory assistant in the application development centre/research & development of the EMS Group. Since then he has held various leadership positions in the company, most recently, Business Unit Leader EMS-GRILTECH.

**Dr Jürgen Spindler** (1958, Swiss citizen, Dr rer. nat., Dipl. Chem. University of Stuttgart) was a member of Executive Management from February 2017 until the end of March 2018. He joined the EMS Group in 1988 as research assistant in research & development and held various leadership positions in different business units at EMS.

**Markus Kremmel** (1960, Austrian citizen, Qualified financial expert) was a member of Executive Management from January 2016 until the end of December 2017. He joined the EMS Group in 1984 and from 1991 to 2001 was responsible for the financial and accounting department as well as mergers and acquisitions for the business unit EMS-EFTEC. In 2002 he became global Head of Business Development for EMS-EFTEC.

**Dr Rolf Holderegger** (born in 1952, Swiss citizen, Dr sc. techn., Dipl. Chem. ETH) became a member of Executive Management in October 2009 and entered his well-earned retirement at the end of December 2017 after a total of 30 years successful activity in the EMS Group. He joined the EMS Group in 1987 as Manager of Development & Technical Service and held various senior positions, his last position being General Manager of the Profit Center "Polyurethanes and Reactive Systems" as well as Site Manager in Romanshorn, Switzerland, within the Business Unit EMS-EFTEC. Before 1987, Dr Holderegger held various leading positions with the Dow Chemical Company.



Members of Executive Management are nominated by the CEO and appointed by the Board of Directors. They are subordinate to the CEO, whom they assist in the task of managing and supervising the EMS Group. Executive Management usually meets every two weeks. In addition, the Secretary General attends these meetings in an advisory function. The duties and responsibilities of Executive Management are listed in section 3.6 (Definition of areas of responsibility).

#### 4.3 Number of permitted activities outside the EMS Group

As per Article 19 of the Articles of Association, members of Executive Management must not hold more than 15 additional mandates.

#### 4.4 Management contracts

No management contracts with third parties exist.

### 5. Remuneration, shareholdings and loans

Details about remuneration, participation and loans are given in the Remuneration Report on page 17 and 18, resp. in the appendix to the annual financial statement of the EMS-CHEMIE HOLDING AG in note 3.2.

### 6. Shareholders' participation

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

#### 6.1 Voting-rights and representation restrictions

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

A registered shareholder may only be represented at the Annual General Meeting by his/her legal representative, by another shareholder who has voting rights or by the Independent Proxy. Shareholders may also issue powers of attorney or directives to the Independent Proxy electronically. The Independent Proxy is elected by the Annual General Meeting for a term of office lasting until the next ordinary Annual General Meeting; re-election is permissible. Shares held by the

company do not confer voting rights at the Annual General Meeting and do not bear a dividend.

#### 6.2 Statutory quorums

Unless not otherwise provided by law, the General Meeting of Shareholders shall pass resolutions and hold elections on the basis of an absolute majority of the votes cast.

#### 6.3 Convocation of the General Meeting of Shareholders

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

#### 6.4 Agenda

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

#### 6.5 Inscriptions into the share register

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

### 7. Changes in control and defence measures

#### 7.1 Duty to make an offer

According to Article 3 paragraph 2 of the Articles of Association, a party acquiring shares above the

legal threshold potentially triggering a public offer in EMS-CHEMIE HOLDING AG is not obliged to submit a public purchase offer (opting-out clause).

## 7.2 Clauses on changes of control

There are no clauses relating to changes in control.

## 8. Auditors

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

Ernst&Young AG, Maagplatz 1, 8010 Zurich, Switzerland, has acted as the statutory auditor of EMS-CHEMIE HOLDING AG since 2017. The statutory auditor is appointed by the Annual General Meeting for a one-year term of office. Willy Hofstetter has been the lead auditor since 2017. The person, leading the revision, is allowed to execute the mandate for seven years at the longest (art. 730a par. 2 CO).

### 8.2 Audit fees

The EMS Group paid EY a global total of approximately CHF 459'933 for services relating to the audit of the Group's annual financial statements.

### 8.3 Additional fees

No fees were charged by EY for any additional services (neither tax consultancy, nor legal, nor transaction-related advice (including due diligence)).

### 8.4 Information tools pertaining to the external audit

The Audit Committee monitors the independence and performance of the independent statutory auditor on behalf of the Board of Directors and verifies the financial reporting of EMS (regarding the meetings held see section 3.5, page 11). The independent statutory auditor was invited to attend one meeting of the Audit Committee. Executive Management is responsible for financial accounting and continuous financial reporting, including the internal control system. The independent statutory auditor, Ernst&Young AG, is responsible for giving an opinion on whether the accounting records and the annual financial statements comply with Swiss law and the company's Articles of Association. Ernst&Young AG is responsible for providing an assessment of the consolidated financial statements (income statement, statement

of comprehensive income, balance sheet, changes in equity, statement of cash flows and notes), in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and with Swiss law. The Audit Committee is also responsible for monitoring the relevant activities of Executive Management and the independent statutory auditor.

## 9. Information policy

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

### Calendar of events of the EMS Group

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July 13, 2018:

Half-year report 2018 (Media conference)

August 11, 2018:

Annual General Meeting 2018  
of EMS-CHEMIE HOLDING AG

End of August 2018:

Definitive Half-year report 2018

October 2018:

Third-quarter report 2018

February 2019:

Annual results 2018 (Media conference)

April 2019:

First-quarter report 2019

Further details regarding dates can be found at [www.ems-group.com/calendar](http://www.ems-group.com/calendar).

Subscription to ad-hoc reports received by e-mail can be made at [www.ems-group.com/newsletter](http://www.ems-group.com/newsletter).

Further information is available on the company website: [www.ems-group.com](http://www.ems-group.com).

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## Remuneration system, competence and method of determining

The remuneration system for members of the Board of Directors and Executive Management consists, as per the Articles of Association, of a fixed remuneration and a possible variable remuneration component, which are paid out in cash only. EMS has no participation plan. The fixed and any possible variable remuneration component are independent of each other. The variable remuneration component may form a central part of the overall remuneration package. The principle criteria for the variable remuneration component are the achievement of earnings targets and

project objectives. The Board of Directors determines the variable remuneration component at its discretion taking target achievement into account.

The remuneration sum is defined by the Board of Directors at the proposal of the Remuneration Committee and after consultation with the CEO. Variable remuneration components are paid in May of the following year. According to the current contracts, members of the Board of Directors only receive a fixed remuneration. In the reporting year, the variable remuneration component of members of Executive Management amounts on average to 47% of the total remuneration sum (2016/2017: 55%).

## Remuneration for the reporting period and comparison with previous period (audited by the Statutory Auditors)

The following remuneration was paid in the reporting year (1.5.2017–30.4.2018):

		2017/2018 (CHF '000)	2016/2017 (CHF '000)
<b>Board of Directors</b>	<b>Function</b>	<b>Remuneration</b>	
Dr U. Berg	Chairman	242	242
M. Martullo	Vice-Chairman and CEO	236	236
Dr J. Streu	Member	130	130
B. Merki	Member	137	137
Total Board of Directors		745	745
<b>Executive Management</b>			
Total remuneration paid to the Executive Management was Of this, KCHF 1 741 (2016/2017: KCHF 1 721) was variable remuneration components. The highest remuneration for a member of Executive Management in the reporting year was KCHF 1 092 (2016/2017: KCHF 1 192) and of this, KCHF 575 (2016/2017: KCHF 679) as variable remuneration component, paid to M. Martullo, independent of her remuneration as Member of the Board of Directors.		3 666	3 127
Total remuneration paid to the Board of Directors and Executive Management was The remuneration is paid exclusively in cash. EMS has no stock option program.		4 411	3 872
<b>Advisory board</b>	There is no advisory board.		
No remuneration was paid to former members of the Board of Directors or Executive Management. Furthermore, all remuneration for current or former members of the Board of Directors, Executive Management and related parties was paid based on standard market terms.			

## Voting of the Annual General Meeting on remuneration

According to Article 23 of the Articles of Association, the Board of Directors annually requests the Annual General Meeting for approval, for the Board of Directors and Executive Management separately, of the remuneration for the previous business year. Any remuneration already paid is subject to subsequent approval by the Annual General Meeting.

### Credit Facilities

As per Article 20 of the Articles of Association, members of the Board of Directors and Executive Management may be granted loans and credit facilities. Such loans and credit facilities must not

in aggregate exceed the amount of 50 MCHF, may only be granted on standard market terms and in compliance with the applicable withdrawal rules.

Neither the current nor previous members of the Board of Directors or Executive Management or persons associated to them have received loans or credit facilities.

### Proposals to the Annual General Meeting 2017: Approval of the remuneration 2016/2017

Total sum of remuneration to the Board of Directors to be approved: KCHF 745.

Total sum of remuneration to Executive Management to be approved: KCHF 3 666.

## Report of the statutory auditor on the remuneration report

### To the General Meeting of EMS-CHEMIE HOLDING AG, Domat/Ems

We have audited the remuneration report of EMS-CHEMIE HOLDING AG for the year ended 30 April 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the table labeled “audited” on page 17 of the remuneration report.

#### Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### Auditor’s responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

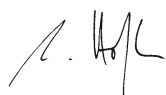
#### Opinion

In our opinion, the remuneration report for the year ended 30 April 2018 of EMS-CHEMIE HOLDING AG complies with Swiss law and articles 14–16 of the Ordinance.

#### Other matter

The remuneration report of EMS-CHEMIE HOLDING AG for the year ended 30 April 2017 was audited by another statutory auditor who expressed an unmodified opinion on that remuneration report on 23 June 2017.

Ernst & Young Ltd



Willy Hofstetter  
Licensed audit expert  
(Auditor in charge)



Gianantonio Zanetti  
Licensed audit expert

Zurich, 15 June 2018

## Consolidated Income Statement

EMS Group  
Consolidated Financial Statements  
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	Notes	2017 (CHF '000)	2016 (CHF '000)
Net sales revenue from goods and services		2 145 820	1 983 071
Inventory changes, semi-finished and finished goods		31 923	(5 696)
Capitalized costs and other operating income	1	30 749	28 831
Material expenses		(1 228 955)	(1 056 250)
Personnel expenses	2	(224 586)	(226 950)
Other operating expenses	3	(119 975)	(119 027)
<b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)</b>		<b>634 976</b>	<b>603 979</b>
Depreciation and amortization	8, 22	(52 994)	(56 276)
<b>NET OPERATING INCOME (EBIT)</b>		<b>581 982</b>	<b>547 703</b>
Financial income	5	2 372	749
Financial expenses	6	(1 487)	(5 980)
<b>NET INCOME BEFORE TAXES</b>		<b>582 867</b>	<b>542 472</b>
Income taxes	7	(98 467)	(86 946)
<b>NET INCOME</b>		<b>484 400</b>	<b>455 526</b>
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		481 513	448 755
Non-controlling interests	16	2 887	6 771
Earnings per share in CHF:			
Basic	24	20.59	19.19
Diluted	24	20.59	19.19

## Consolidated Statement of Comprehensive Income

Net income recognized in income statement		484 400	455 526
Actuarial gains from defined benefit pension plans, net of tax		15 394	8 508
Items that will not be reclassified to income statement, net of tax		15 394	8 508
Net changes from cash flow hedges, net of tax	13	(13 703)	9 855
Currency translation differences		29 996	2 444
Items that are or may be reclassified to profit or loss		16 293	12 299
Other comprehensive income		31 687	20 807
<b>COMPREHENSIVE INCOME</b>		<b>516 087</b>	<b>476 333</b>
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		512 684	468 923
Non-controlling interests	16	3 403	7 410

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

## Consolidated Balance Sheet

	Notes	31.12.2017 (CHF '000)	31.12.2016 (CHF '000)
<b>NON-CURRENT ASSETS</b>		639 638	647 127
Intangible assets	8	72 578	78 077
Property, plant and equipment	8	541 244	533 303
Investments		188	183
Other non-current assets	9	6 897	6 503
Derivative financial instruments	13	539	3 522
Deferred income tax assets	7	18 192	25 539
<b>CURRENT ASSETS</b>		1 460 361	1 337 497
Inventories	10	389 095	299 862
Trade receivables	11	332 428	276 786
Income tax assets		6 782	3 380
Other receivables	12	458 324	368 806
Derivative financial instruments	13	2 182	3 998
Cash and cash equivalents	14	271 550	384 665
<b>TOTAL ASSETS</b>		2 099 999	1 984 624
<b>EQUITY</b>		1 550 410	1 427 782
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 524 958	1 404 950
Share capital	15	234	234
Treasury shares	15	0	(3 540)
Retained earnings and reserves		1 524 724	1 408 256
Equity, attributable to non-controlling interests	16	25 452	22 832
<b>LIABILITIES</b>		549 589	556 842
Non-current liabilities		158 940	190 205
Derivative financial instruments	13	2 636	308
Bank loans	17	43	2 666
Other non-current liabilities		16	15
Deferred income tax liabilities	7	89 231	97 228
Employee benefit liability	18	45 404	61 632
Provisions	19	21 610	28 356
Current liabilities		390 649	366 637
Derivative financial instruments	13	20 639	12 899
Bank loans	17	12 487	9 357
Trade payables		131 769	106 252
Income tax liabilities		69 044	60 823
Provisions	19	635	4 447
Other current liabilities	20	156 075	172 859
<b>TOTAL EQUITY AND LIABILITIES</b>		2 099 999	1 984 624

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

EMS Group  
Consolidated Financial Statements  
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(CHF '000)	Share capital	Capital reserves (share premium)	Treasury shares	Retained earnings	Hedging reserves from IAS 39	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
<b>At 31.12. 2015</b>	<b>234</b>	<b>24 279</b>	<b>0</b>	<b>1 389 016</b>	<b>(15 097)</b>	<b>(108 146)</b>	<b>1 290 286</b>	<b>21 520</b>	<b>1 311 806</b>
Net changes from cash flow hedges					9 855		9 855		9 855
Actuarial gains from defined benefit pension plans				8 508			8 508		8 508
Currency translation differences						1 805	1 805	639	2 444
<b>Other comprehensive income</b>				<b>8 508</b>	<b>9 855</b>	<b>1 805</b>	<b>20 168</b>	<b>639</b>	<b>20 807</b>
Net income recognized in income statement				448 755			448 755	6 771	455 526
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>457 263</b>	<b>9 855</b>	<b>1 805</b>	<b>468 923</b>	<b>7 410</b>	<b>476 333</b>
Transactions with treasury shares			(3 540)				(3 540)		(3 540)
Dividends paid				(350 719)			(350 719)	(6 098)	(356 817)
<b>At 31.12. 2016</b>	<b>234</b>	<b>24 279</b>	<b>(3 540)</b>	<b>1 495 560</b>	<b>(5 242)</b>	<b>(106 341)</b>	<b>1 404 950</b>	<b>22 832</b>	<b>1 427 782</b>
Net changes from cash flow hedges					(13 703)		(13 703)		(13 703)
Actuarial gains from defined benefit pension plans				15 394			15 394		15 394
Currency translation differences						29 480	29 480	516	29 996
<b>Other comprehensive income</b>				<b>15 394</b>	<b>(13 703)</b>	<b>29 480</b>	<b>31 171</b>	<b>516</b>	<b>31 687</b>
Net income recognized in income statement				481 513			481 513	2 887	484 400
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>496 907</b>	<b>(13 703)</b>	<b>29 480</b>	<b>512 684</b>	<b>3 403</b>	<b>516 087</b>
Transactions with treasury shares		1 397	3 540				4 937		4 937
Dividends paid				(397 613)			(397 613)	(783)	(398 396)
<b>At 31.12. 2017</b>	<b>234</b>	<b>25 676</b>	<b>0</b>	<b>1 594 854</b>	<b>(18 945)</b>	<b>(76 861)</b>	<b>1 524 958</b>	<b>25 452</b>	<b>1 550 410</b>
Balance sheet equity ratio								2017 73.8%	2016 71.9%

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2016: KCHF 47) not eligible for distribution.

On February 9, 2018, the company announced that the Board of Directors will propose a dividend payment of CHF 18.00 per each share to the ordinary annual shareholder meeting on August 11, 2018 (CHF 14.50 ordinary dividend, CHF 3.50 extraordinary dividend).

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

## Consolidated Statement of Cash Flows

	Notes	2017 (CHF '000)	2016 (CHF '000)
Net income		484 400	455 526
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	8, 22	52 994	56 276
Loss from disposal of property, plant and equipment, net	3	1 053	604
Increase/(decrease) of provisions	19	(10 694)	984
Increase/(decrease) of other non-current liabilities		1	(56)
Unrealized currency translation (gains)/losses on foreign exchange positions		(1 443)	1 825
Change assets and liabilities of post-employment benefits, net	18	1 927	5 644
Net interest income	5, 6	233	(133)
Dividends on available-for-sale securities	5	(1)	(4)
Expenses for income taxes	7	98 467	86 945
Changes in net working capital		(85 231)	(12 485)
Taxes paid		(97 983)	(107 880)
Interest paid		(1 023)	(437)
Provisions used	19	(117)	(771)
<b>CASH FLOW FROM OPERATING ACTIVITIES A</b>		<b>442 583</b>	<b>486 038</b>
Purchase of intangible assets and property, plant and equipment	8	(49 270)	(71 454)
Disposal of intangible assets and property, plant and equipment	3, 8	411	3 545
Decrease in other non-current assets	9	(2)	15
Interest received		662	694
Dividends received		1	3
Paid withholding taxes	12	(135 831)	(105 089)
Purchase of interest-bearing assets	12	0	(35 000)
Disposal of interest-bearing assets	12	15 931	24 101
<b>CASH FLOW FROM INVESTING ACTIVITIES B</b>		<b>(168 098)</b>	<b>(183 185)</b>
Dividends paid to shareholders of EMS-CHEMIE HOLDING AG		(397 613)	(350 719)
Dividends paid to non-controlling interests	16	(783)	(6 098)
Purchase of treasury shares	15	0	(3 540)
Sale of treasury shares	15	3 540	0
Borrowing of interest-bearing liabilities	17	3 130	7 877
Repayment of interest-bearing liabilities	17	(2 623)	0
<b>CASH FLOW FROM FINANCING ACTIVITIES C</b>		<b>(394 349)</b>	<b>(352 480)</b>
Increase/(decrease) in cash and cash equivalents (A + B + C)		(119 864)	(49 627)
Cash and cash equivalents at 1. 1.		384 665	433 485
Translation difference on cash and cash equivalents		6 749	807
Cash and cash equivalents at 31.12.	14	271 550	384 665

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.



## Consolidated accounting principles

### General information on the consolidated financial statements

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

The preparation of consolidated financial statements and related disclosures in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results may 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.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

### Significant estimates and assumptions made by management

#### Impairment of non-current assets

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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 expectancies to be reduced, the intended use of property, plant and equipment to change, production sites to be relocated or closed, and production plants to generate lower-than-expected sales in the medium term. The carrying amounts for property, plant and equipment and intangible assets are shown in note 8.

#### Provisions for litigation risks, environmental risks and other provisions

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In the course of their ordinary business operations, Group companies may be involved in legal proceedings. If considered necessary, provisions for litigation risks, environmental risks and other provisions are measured using available information on the basis of the realistically expected net cash outflow. Other provisions primarily cover warranty claims arising from the sale of goods or services. Future reporting periods may therefore be affected by changes in the estimates of expected or actual cash outflows. The carrying amounts for provisions are shown in note 19.

#### Employee benefits

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The EMS Group operates various retirement plans on behalf of its employees. In the case of defined benefit plans, statistical assumptions are made in order to estimate future developments. When parameters alter due to changes in the economic situation or different market conditions, subsequent results may differ significantly from the actuarial opinions and calculations. The carrying amounts of reported employee retirement assets and liabilities are shown in note 18.

#### Taxes

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Measurement of current direct and indirect tax liabilities is subject to interpretation of the tax legislation in the countries concerned. The accuracy of tax declarations and appropriateness of liabilities are judged in the context of final assessments or inspections by the tax authorities. Furthermore, the judgment as to whether tax-loss carry forwards can be capitalized requires critical assessment of their usability in terms of netting with future profits, which are dependent on numerous imponderables. The book values of the current deferred income tax assets and deferred income tax liabilities are shown in note 7. The current deferred income tax assets and deferred income tax liabilities are shown in the balance sheet on a separate line.

### Changes in accounting policies

In 2017, the EMS Group implemented various minor amendments to existing standards and interpretations, which have no material impact on the Group's overall results and financial position.

### Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

**IFRS 9 Financial Instruments:** The EMS Group will implement the new standard effective 1 January 2018. The EMS Group does not currently anticipate that the comparative 2017 results will be restated when the new standard is applied. The standard deals with the classification, recognition and measurement (including impairment) of financial instruments, the impairment of financial assets, including trade and lease receivables and also introduces a new hedge accounting model. The new standard will result in an increased volume of disclosure information in the Annual Financial Statements.

**IFRS 15 Revenues from Contracts with Customers:** The EMS Group will implement the new standard effective 1 January 2018. The EMS Group does not anticipate that the new standard will change the amounts of revenue recognised for 2017 and therefore then no restatement should be necessary. The new standard contains a new set of principles on when and how to recognise and measure revenue as well as new requirements related to presentation. The core principle in that framework is that revenue should be recognised dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration to which should be received in exchange for those goods or services. The new standard will result in an increased volume of disclosure information in the Annual Financial Statements.

**IFRS 16 Leases:** The EMS Group plans to implement the new standard effective 1 January 2019 and will apply the cumulative catch-up method option for the transition, meaning that the comparative 2018 results will not be restated when the new standard is applied. The main impact of the new standard will be to bring operating leases on-balance sheet. The EMS Group is assessing the

potential impact. The application of the new standard will result in part of what is currently reported as operating lease costs being recorded as interest expenses. Given the leases involved and the prevailing low interest rate environment the EMS Group does not currently expect this effect to be material.

### Consistency

The principles of valuation and consolidation remain unchanged from the previous year, with the exception of the changes described above.

### 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, either by it holding more than 50% of the voting rights or by contracts or other agreements (see note 30 "List of subsidiaries").

The equity method of accounting is applied in the case of associated companies that are not directly or indirectly controlled by EMS-CHEMIE HOLDING AG (shareholding normally between 20% and 50% of voting rights).

### Method of consolidation

The financial statements of majority-owned companies are fully consolidated. Assets and liabilities, income and expenses are incorporated in full. Capital consolidation is effected using the acquisition method. Intercompany transactions and relations have been eliminated in the course of consolidation. Unrealized profits from intercompany deliveries are eliminated in the income statement. All assets and liabilities of acquired companies are valued at fair value at the time of acquisition. Any positive difference between the resulting fair value of the net assets and contingent liabilities acquired and the cost of acquisition is capitalized as goodwill. Results for acquired companies are included in consolidation as from the date on which control was transferred. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

In the case of disposal of companies the deconsolidation is effected through the income statement as of the date when control is relinquished. The companies' results are then 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. Exceptions are securities and derivative financial instruments, which are measured at fair value, as well as employee benefit assets and liabilities, which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

#### Intangible assets (excluding goodwill)

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This item consists of acquired customer relationships, patents, trademarks, software and other intangible assets. Intangible assets are valued at their acquisition cost less depreciation and impairment. Depreciation is amortized on a straight-line basis over its limited, economic life. These are 7 years for customer relationships and generally 3 to 12 years for patents, trademarks and software.

#### Goodwill

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This item consists of goodwill acquired in a business combination. Goodwill represents the excess of the sum of purchase price, the amount of non-controlling interests in the acquired company and the fair value of the previously held share of equity over the total fair value of the assets, liabilities and contingent liabilities. For the valuation of non-controlling interests, a choice exists per transaction. The non-controlling interest can either be measured at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree. Goodwill is subject to an annual impairment test.

#### Property, plant and equipment

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

Repairs and maintenance are expensed as incurred. Investments in improvements or renewals of assets are capitalized if they increase economic benefit.

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

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

#### Investments

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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

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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.

#### Receivables

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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

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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 fulfilment 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 the case of 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

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

#### Non-current bank loans

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

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

#### Liabilities and deferred income

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

#### Provisions

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Provisions are set up for legal or constructive obligations if these obligations resulting from a past event and existing at balance sheet date will most probably lead to a cash outflow and if the amounts can be reliably estimated. A provision is recognized when the probability is above 50%. Such a provision is valued in accordance with management's best estimate of the weighted possibility.

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

#### Employee benefits

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Swiss group entities participate in individual, legally independent pension funds, which are managed autonomously. These funds are fully funded by employee and employer contributions. Present and former employees or their surviving dependents, respectively, receive benefits for retirement, disability or in case of death, depending on the regulations of the individual pension funds.

For the purpose of the consolidated financial statements, the corresponding employee benefit obligations resulting from the Swiss plans are calculated on an annual basis. These plans are considered to be defined benefit plans for which independent actuaries calculate the future employee benefit obligations for each plan by using actuarial assumptions and methods in accordance with IFRS. For pension funds with defined benefit obligations, such obligations are calculated based on past and expected future service periods, the expected development of salaries and the indexation of pensions using the "Projected Unit Credit Method".

The amount recognized in the consolidated financial statements represents the deficit or surplus of the defined benefit plans (net pension liability or asset). However, in case of a surplus the recognized asset is limited to the present value of the economic benefits from future reductions in contributions.

The components of pension costs from defined benefit plans are recognized as follows:

- service costs and net interest income or expense are recognized in profit or loss as part of personnel expenses,
- remeasurements are recognized in other comprehensive income.

Service costs comprise current service costs, any past service costs, and gains and losses on settlements. Gains and losses on plan curtailments are treated equally to past service costs. Employee contributions reduce the service costs and are deducted from these costs depending on the individual pension fund regulations or in cases where there is a factual obligation to do so.

Net interest income or expense result from the multiplication of the net defined benefit liability (or asset) at the beginning of the financial year with the actuarial discount rate, under consideration of changes resulting from the payments of contribution and annuities throughout the financial year.

Remeasurements comprise:

- actuarial gains and losses from changes of the present value of the defined benefit liability (asset) arising from changes in actuarial assumptions and experience adjustments;
- the actual return on plan assets, excluding amounts included in net interest income or expense; and
- changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in net interest income or expense.

The employees of foreign group entities are covered either by state managed social welfare schemes or independent defined contribution pension plans.

The expenses which are recognized in the statement of profit or loss for these defined contribution pension plans represent the employer contributions made to these plans.

#### Derivative financial instruments

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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

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Hedge accounting as defined by IAS 39 is used for the hedging of currency risks. This includes the use of cash flow hedges, which hedge future purchases and sales in foreign currencies with a high likelihood of occurrence. At initial recognition of cash flow hedges, the effective portion of the gain/loss of the hedging instrument is recognized in other comprehensive income and the ineffective portion immediately in the income statement. Gains and losses from cash flow hedges shown in equity are transferred to the income statement on the date on which the forecasted transaction is recorded in the income statement.

The goal of hedge accounting is to match the impact of the hedged item and the hedging instrument in the income statement.

#### Net sales revenue

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Invoicing for goods and services is recognized as sales when the main risks and benefits incidental to ownership are transferred. In the EMS Group more than 90% of net sales are recognized according to the following five international commercial terms: CIP (Carriage and Insurance Paid), FCA (Free Carrier), CIF (Cost, Insurance and Freight), EXW (EX Works) and DAP (Delivered At Place). Net sales revenue is stated after deduction of value added taxes and any deduction of discounts and credits.

### Research and development costs

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

### Impairment

The carrying amounts of property, plant and equipment and of intangible assets are reviewed as of the 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 fair value less costs to sell or the value in use. In cases where the carrying amount is higher than the recoverable amount, the difference is booked in the income statement.

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

### Fair values

The carrying amounts for securities and financial assets stated at fair value are calculated at stock-exchange prices applicable on the balance sheet date. Values for derivative financial instruments are based on replacement values or 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. The exchange rate differences are carried to equity without affecting net income (translation adjustment).

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

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

The most important exchange rates are:

	Unit	Average exchange rates		Year-end exchange rates		
		2017	2016	2017	2016	
Euro	EUR	1	1.112	1.090	1.169	1.074
US Dollar	USD	1	0.985	0.985	0.979	1.019
Japanese Yen	JPY	100	0.878	0.907	0.867	0.874
Chinese Renminbi	CNY	100	14.595	14.832	15.000	14.630
Taiwan Dollar	TWD	100	3.237	3.056	3.294	3.163

## Income taxes

Current income taxes are calculated on the taxable profit.

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 and are recognized in the consolidated income statement, unless they relate to a transaction which is recognized in equity or other comprehensive income. These deferred income taxes are continuously adjusted to take account of any changes to local fiscal law. Deferred income taxes 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 include all the shares that could potentially be issued following the exercising of option or conversion rights, for instance.

## Segment reporting

Internal reporting to the Board of Directors (= Chief Operating Decision Maker) is based on the two business areas of "High Performance Polymers" and "Specialty Chemicals". The same accounting principles are applied as for the consolidated financial statements. The strategy, and therefore the allocation of resources, is decided by the Board of Directors. The yearly budgets and medium-term plans of the two business areas are approved by the Board of Directors. Operating performance is monitored quarterly by the Board of Directors. The segmentation is prepared to the level of EBIT. A splitting of financial income and expenses and of taxes is not useful because those functions are executed on Group level. All assets and liabilities are contributed to the business area or geographical region either direct or via useful rate assessment.

## Financial risk management

### General

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

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

### Credit risks

Credit risks arise from the possibility that the counterparty to a transaction may be unable or unwilling to meet their obligations.

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

## Liquidity risks

Liquidity risk is the risk that the EMS Group will encounter difficulty in meeting the obligations associated with its financial liabilities.

The cash flows and liquidity requirements of the EMS Group are supervised by central treasury. The goal is to have the liquidity required for day-to-day operations available at all times.

## Market risks

### Interest rate risks

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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.

This risk is not hedged.

### Currency risks

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

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Among "other price risks" are securities risks. Available-for-sale securities can be influenced by changes in fair values.

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

## Capital management

The capital managed by the EMS Group consists of the consolidated equity including non-controlling interests. The EMS Group has set the following goals for the management of its capital:

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

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including non-controlling interests) as a percentage of total assets. The balance sheet equity ratio is 73.8% as at December 31, 2017 (December 31, 2016: 71.9%). The EMS Group has no external minimum capital requirements.

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

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



## Segment Information

### Segment information by business area

(CHF '000)	High Performance Polymers		Specialty Chemicals		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Net sales revenue with third parties	1 870 514	1 712 824	275 306	270 247			2 145 820	1 983 071
Net sales revenue with other segments	0	0	0	0	0	0	0	0
Total net sales revenue	1 870 514	1 712 824	275 306	270 247	0	0	2 145 820	1 983 071
EBITDA	552 994	524 957	81 982	79 022	0	0	634 976	603 979
Depreciation, amortization and impairments <sup>1)</sup>	46 846	48 655	6 148	7 621	0	0	52 994	56 276
Net operating income (EBIT)	506 148	476 302	75 834	71 401	0	0	581 982	547 703
Net financial income							885	(5 231)
Net income before taxes							582 867	542 472
Income taxes							(98 467)	(86 946)
Net income							484 400	455 526

(CHF '000)	High Performance Polymers		Specialty Chemicals		Non-segment assets/liabilities		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Segment assets <sup>2)</sup>	1 643 626	1 395 572	153 449	157 082	302 924	431 970	2 099 999	1 984 624
Segment liabilities <sup>3)</sup>	515 673	530 822	20 438	12 843	13 478	13 177	549 589	556 842
Investments	43 243	60 336	6 027	11 118			49 270	71 454

### Segment information by geographical region

(CHF '000)	Total net sales revenue (customers)		Total net sales revenue (production)		Segment assets <sup>2)</sup>	
	2017	2016	2017	2016	2017	2016
Europe	1 173 419	1 034 169	1 557 970	1 400 121	1 391 850	1 191 150
<i>thereof Switzerland</i>	68 546	61 974	1 009 674	888 697	1 244 091	850 595
<i>thereof Germany</i>	465 242	423 220	255 461	235 512	85 687	91 285
Asia	586 438	542 034	324 577	307 683	299 100	260 719
<i>thereof China</i>	312 549	305 859	165 684	174 544	182 237	147 957
NAFTA	339 751	362 304	244 133	259 823	97 878	94 252
<i>thereof USA</i>	245 763	280 050	198 892	217 983	80 340	74 327
Others	46 212	44 564	19 140	15 444	8 247	6 533
Non-segment assets					302 924	431 970
Total	2 145 820	1 983 071	2 145 820	1 983 071	2 099 999	1 984 624

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

### Most important customers

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

<sup>1)</sup> See note 8.

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

<sup>3)</sup> Segmented liabilities: Liabilities without current and non-current bank loans.

## Consolidated Income Statement

Notes	2017 (CHF '000)	2016 (CHF '000)
1	Capitalized costs and other operating income	
	Capitalized costs	13 029
	Other operating income	14 712
	<b>Total capitalized costs and other operating income</b>	<b>28 741</b>
2	Personnel expenses	
	Wages and salaries	175 887
	Subcontractor salaries	13 254
	Expenses for defined benefit plans (see note 18)	3 008
	Legal/contractual social insurance	24 989
	Other personnel expenses	7 448
	<b>Total personnel expenses</b>	<b>224 586</b>
3	Other operating expenses	
	Rents	5 461
	Leasing	3 594
	Repairs and maintenance	27 780
	Insurance, duties, fees	7 062
	Energy	33 285
	Administration, promotion	29 627
	Losses on disposal of property, plant and equipment, net	1 053
	Supplies	6 069
	Other operating expenses	6 044
	<b>Total other operating expenses</b>	<b>119 975</b>
4	Research and development	
	Expenditures for research and development amount to	49 693
	In percent of net sales revenue	2.3%
5	Financial income	
	Other interest income	611
	Interest income on loans and receivables	1
	<b>Total interest income</b>	<b>612</b>
	Dividends on available-for-sale securities	0
	Foreign exchange gains, net	1 760
	<b>Total financial income</b>	<b>2 372</b>

Notes	2017 (CHF '000)	2018 (CHF '000)
6		
Financial expenses		
Interest expenses	844	612
Foreign exchange losses, net	0	4 826
Bank charges and commissions	643	542
Total financial expenses	1 487	5 980
7		
Income taxes		
Current income taxes	103 191	90 754
Deferred income taxes	(4 724)	(3 808)
Total income taxes	98 467	86 946

The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. The expected income tax rate corresponds to the weighted average of the tax rates in the tax jurisdictions in which the EMS Group operates. Due to the mix of the EMS Group's taxable income and changes in some local tax rates, the expected income tax rate changes from year to year.

#### Taxation on other items in the statement of comprehensive income and equity

	2017			2016		
	Amount before taxes	Taxes	Amount after taxes	Amount before taxes	Taxes	Amount after taxes
Actuarial gains from defined benefit pension plans	18 547	(3 153)	15 394	10 251	(1 743)	8 508
Cash flow hedges	(14 867)	1 164	(13 703)	10 693	(838)	9 855
Currency translation differences	29 996	0	29 996	2 444	0	2 444
Comprehensive income	33 676	(1 989)	31 687	23 388	(2 581)	20 807
Treasury shares	1 516	(119)	1 397	3 540	0	3 540

#### Breakdown of the income tax expenses

Net income before income taxes	582 867	542 472
Expected income tax rate	17.6%	17.1%
Expected income taxes	102 430	92 789
Utilisation of previously unrecognized tax losses	(421)	(975)
Losses for the current year for which no deferred tax asset was recognized	2	1 982
Tax exemption	(9 405)	(8 691)
Expenses not being deductible for tax purposes	794	923
Taxes from previous years	165	(1 981)
Impact of changed deferred income tax rates	(481)	39
Other	5 383	2 860
Effective income taxes	98 467	86 946
Effective income tax rate	16.9%	16.0%

Notes	2017 (CHF '000)		2016 (CHF '000)	
	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
Deferred income taxes: Change in recognized assets/liabilities				
At 1. 1.	25 539	97 228	25 985	98 141
Increase/Decrease via income statement	(6 143)	(10 867)	1 444	(2 364)
Increase/Decrease via other comprehensive income/Equity	(1 272)	836	(1 743)	837
Translation differences	68	2 034	(147)	614
At 31. 12.	18 192	89 231	25 539	97 228
Note to the deferred income tax				
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	0	76 820	0	81 344
Deferred income taxes on current assets	0	4 790	0	9 718
Deferred income taxes on liabilities	0	7 621	0	6 166
Deferred income taxes on pension liabilities	5 317	0	8 122	0
Deferred income taxes on provisions and accruals	12 875	0	17 417	0
Total deferred income tax liabilities	18 192	89 231	25 539	97 228
Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.				
As at December 31, 2017, temporary differences of KCHF 16 868 (2016: KCHF 16 819) existed from investments in subsidiaries. A deferred tax liability was not recognized as the Group controls the date of the reversal of the related contingent temporary differences and does not expect them to be realized in the near future.				
Tax loss carryforwards				
	Tax loss carryforwards	Tax effect	Tax loss carryforwards	Tax effect
Total tax loss carryforwards for which no deferred income taxes were recognized	24 538	6 053	21 803	5 710
Of which to be carried forward for up to:				
1 year	5 784	1 446	638	217
2 years	2 404	742	2 754	936
3 years	409	139	1 706	580
4 years	5 887	2 002	434	147
5 years	0	0	0	0
More than 5 years	10 054	1 724	16 271	3 830

## Notes

### 8 Intangible assets, property, plant and equipment, investments

#### I. Intangible assets

(CHF '000)	Goodwill	Customer and supplier relationships	Others	Total
At 1.1.2016	50 639	30 013	4 332	84 984
Cost	50 639	48 778	28 327	127 744
Accumulated amortization and impairment	0	(18 765)	(23 995)	(42 760)
Net book value	50 639	30 013	4 332	84 984
2016				
At 1.1.	50 639	30 013	4 332	84 984
Additions	0	0	255	255
Disposals	0	0	(2 738)	(2 738)
Amortization	0	(6 922)	(993)	(7 915)
Reclassifications	0	0	3 087	3 087
Translation differences	253	(728)	879	404
At 31.12.	50 892	22 363	4 822	78 077
Cost	50 892	47 705	29 292	127 889
Accumulated amortization and impairment	0	(25 342)	(24 470)	(49 812)
Net book value	50 892	22 363	4 822	78 077
2017				
At 1.1.	50 892	22 363	4 822	78 077
Additions	0	0	207	207
Disposals	0	0	0	0
Amortization	0	(7 186)	(884)	(8 070)
Reclassifications	0	0	478	478
Translation differences	(354)	2 137	103	1 886
At 31.12.	50 538	17 314	4 726	72 578
Cost	50 538	53 223	29 762	133 523
Accumulated amortization and impairment	0	(35 909)	(25 036)	(60 945)
Net book value	50 538	17 314	4 726	72 578

The other intangible assets mainly contain patents, trademarks and capitalized software usage rights.

#### Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 50 538 (2016: KCHF 50 892) is the Business Unit EMS-EFTEC (business area "High Performance Polymers"). Its recoverability is tested yearly on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on the value in use.

The following assumptions form the basis:

- The cash flows for the first three years were determined on the basis of medium-term plans.
- The cash flows of the following years were calculated with an annual growth rate of 2% (2016: 2%).
- The discount rate before taxes is 7% (2016: 9%).

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. A deterioration of the assumptions by 10% would not impair goodwill. Even if cash flow forecasts were based on zero growth, the carrying amount would not exceed the recoverable amount. An increase of 10 percentage points in the assumed discount rate would not alter the results of the impairment test.

Notes

II. Property, plant and equipment

(CHF '000)	Land incl. development cost	Buildings	Technical plant, machinery, R&D plants	Furniture, EDP equipment, vehicles	Plant under construction	Total
At 1. 1. 2016	20 742	128 288	295 084	19 059	50 985	514 158
Cost	22 915	316 288	964 635	63 332	50 994	1 418 164
Accumulated depreciation and impairment	(2 173)	(188 000)	(669 551)	(44 273)	(9)	(904 006)
Net book value	20 742	128 288	295 084	19 059	50 985	514 158
2016						
At 1. 1.	20 742	128 288	295 084	19 059	50 985	514 158
Additions	4	362	1 125	3 808	65 900	71 199
Disposals	(6)	(30)	(554)	(291)	(530)	(1 411)
Depreciation	(71)	(6 059)	(31 900)	(5 621)	(4)	(43 655)
Impairment	0	0	(4 706)	0	0	(4 706)
Reclassifications	0	3 771	16 932	4 224	(28 014)	(3 087)
Translation differences	82	684	150	11	(122)	805
At 31. 12.	20 751	127 016	276 131	21 190	88 215	533 303
Cost	22 975	321 677	981 151	69 053	88 215	1 483 071
Accumulated depreciation and impairment	(2 224)	(194 661)	(705 020)	(47 863)	0	(949 768)
Net book value	20 751	127 016	276 131	21 190	88 215	533 303
2017						
At 1. 1.	20 751	127 016	276 131	21 190	88 215	533 303
Additions	0	228	1 904	1 599	45 332	49 063
Disposals	0	(176)	(763)	(325)	(200)	(1 464)
Depreciation	(117)	(6 651)	(32 197)	(5 958)	(1)	(44 924)
Impairment	0	0	0	0	0	0
Reclassifications	1 351	25 737	67 478	2 721	(97 765)	(478)
Translation differences	480	2 584	1 771	655	254	5 7445
At 31. 12.	22 465	148 738	314 324	19 882	35 835	541 244
Cost	24 831	350 625	1 053 247	73 314	35 836	1 537 853
Accumulated depreciation and impairment	(2 366)	(201 887)	(738 923)	(53 432)	(1)	(996 609)
Net book value	22 465	148 738	314 324	19 882	35 835	541 244

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

Year	Amount	Business area
2017:	KCHF 0	
2016:	KCHF 4 706	High Performance Polymers (technically obsolete equipment)

Notes	2017 (CHF '000)	2016 (CHF '000)
9 Other non-current assets		
Other non-current assets	778	776
Assets from employee benefits (see note 18)	6 119	5 727
Total other non-current assets	6 897	6 503
Other non-current assets mainly comprise loans to third parties.		
10 Inventories		
Raw materials and supplies	1 694 08	1 414 72
Semi-finished goods, work in progress	11 356	8 789
Finished products	2 169 91	1 798 69
Value adjustments	(8 660)	(30 268)
Total inventories	3 890 95	2 998 62
11 Trade receivables		
Trade receivables from third parties	3 399 96	2 838 09
Allowances for doubtful receivables	(7 568)	(7 023)
Total trade receivables	3 324 28	2 767 86
Allowances for doubtful receivables are determined on the basis of historical losses and recognizable individual risks.		
Due dates of trade receivables		
Not due	3 119 94	2 617 54
Overdue < 30 days	20 960	19 039
Overdue 30 to 90 days	3 861	2 049
Overdue > 90 days	3 181	967
Allowances for doubtful receivables	(7 568)	(7 023)
Total	3 324 28	2 767 86

For the assessment of the valuation of trade receivables, management relies on payment history and regular credit analysis. It rates the recovery of trade receivables as good, except the allowances below.

Notes	2017 (CHF '000)		2016 (CHF '000)	
	2017		2016	
	Individual allowance	General allowance	Individual allowance	General allowance
At 1.1.	1 572	5 451	2 112	4 771
Increase in allowances	679	3 652	724	906
Decrease in allowances	(693)	(2 270)	(267)	(175)
Losses on trade receivables	(1 277)	0	(982)	0
Reclassifications	70	(70)	0	0
Translation differences	77	377	(15)	(51)
At 31.12.	428	7 140	1 572	5 451
12 Other receivables				
Withholding tax receivables			368 888	233 057
Prepayments and accrued income			28 092	60 828
Other short-term financial assets			31 374	47 305
Other receivables			29 970	27 616
Total other receivables			458 324	368 806
13 Derivative financial instruments				
The following summary shows the most important derivative financial instruments:				
Financial instruments at fair value classified through profit or loss				
Currency swaps and forward rate agreements	USD/EUR	Notional amount CHF	0	844
		Positive replacement value CHF	0	0
		Negative replacement value CHF	0	51
Total		Notional amount CHF	0	844
		Positive replacement value CHF	0	0
		Negative replacement value CHF	0	51
Thereof: Current portion		Notional amount CHF (<12 months)	0	727
		Positive replacement value CHF (<12 months)	0	0
		Negative replacement value CHF (<12 months)	0	51
Non-current portion		Notional amount CHF (1–5 years)	0	117
		Positive replacement value CHF (1–5 years)	0	0
		Negative replacement value CHF (1–5 years)	0	0



Notes			2017 (CHF '000)	2016 (CHF '000)	
Financial instruments effective for hedge accounting purposes					
Currency swaps and forward rate agreements	EUR/CHF	Notional amount CHF	514 670	347 041	
		Positive replacement value CHF	170	2 191	
	JPY/CHF	Negative replacement value CHF	22 371	6 130	
		Notional amount CHF	21 235	67 679	
		Positive replacement value CHF	1 282	5 029	
	USD/CHF	Negative replacement value CHF	23	0	
		Notional amount CHF	48 561	93 305	
		Positive replacement value CHF	315	0	
CNY/CHF	Negative replacement value CHF	0	6 339		
	Notional amount CHF	41 986	29 948		
	Positive replacement value CHF	0	300		
GBP/CHF	Negative replacement value CHF	844	18		
	Notional amount CHF	7 814	10 896		
	Positive replacement value CHF	173	0		
USD/EUR	Negative replacement value CHF	37	669		
	Notional amount CHF	306	0		
	Positive replacement value CHF	25	0		
EUR/CZK	Negative replacement value CHF	0	0		
	Notional amount CHF	34 641	0		
	Positive replacement value CHF	756	0		
Total	Negative replacement value CHF		0	0	
	Notional amount CHF		669 213	548 869	
	Positive replacement value CHF		2 721	7 520	
Thereof: Current portion	Negative replacement value CHF		23 275	13 156	
	Notional amount CHF (<12 months)		413 125	411 814	
	Positive replacement value CHF (<12 months)		2 182	3 998	
	Negative replacement value CHF (<12 months)		20 639	12 848	
	Non-current portion	Notional amount CHF (1–5 years)		256 088	137 055
		Positive replacement value CHF (1–5 years)		539	3 522
Negative replacement value CHF (1–5 years)		2 636	308		
<p>Derivative financial instruments were mostly effected for hedging purposes. Forward rate agreements are used for the hedging of future purchases and sales in foreign currencies. The replacement value is understood to be the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions. Any derivatives are reported at fair value.</p>					

Notes	2017 (CHF '000)	2016 (CHF '000)			
Net changes from cash flow hedges in equity, after taxes					
At 1.1.	(5 242)	(15 097)			
Transfer to consolidated income statement	782	9 494			
Fair value adjustments	(15 649)	1 199			
Income taxes recognized directly in equity	1 164	(838)			
Total net changes from cash flow hedges in equity, after taxes	(13 703)	9 855			
At 31.12.	(18 945)	(5 242)			
14 Cash and cash equivalents					
Deposits	271 024	384 428			
Cash and cash equivalents	526	237			
Total cash and cash equivalents	271 550	384 665			
15 Share capital					
	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12. 2015	CHF 0.01	23 389 028	0	23 389 028	234
Purchase of treasury shares		–	7 751	(7 751)	–
Sale of treasury shares		–	0	0	–
At 31.12. 2016	CHF 0.01	23 389 028	7 751	23 381 277	234
Purchase of treasury shares		–	0	0	–
Sale of treasury shares		–	(7 751)	7 751	–
At 31.12. 2017	CHF 0.01	23 389 028	0	23 389 028	234
16 Non-controlling interests					
This item reflects the non-controlling interest in capital and profit/loss for the year. Non-controlling interest exist at EFTEC China Ltd., EMS-UBE and Wuhu EFTEC Chemical Products Ltd.					
The change in non-controlling interests is as follows:					
At 1.1.				22 832	21 520
Dividends paid				(783)	(6 098)
Net income				2 887	6 771
Translation differences				516	639
At 31.12.				25 452	22 832

Notes	2017 (CHF '000)	2016 (CHF '000)
17 Bank loans		
The non-current bank loans are composed as follows:		
JPY: Average interest rate: 1.26% (2016: 0.25%)	43	2 666
Total non-current bank loans	43	2 666
The carrying amounts of non-current bank loans in JPY correspond to their fair values, as the interest rates are variable.		
The current bank loans are composed as follows:		
JPY: Average interest rate: 0.28% (2016: 0.28%)	11 705	7 429
CNY: Average interest rate: variable	782	1 928
Total current bank loans	12 487	9 357

#### 18 Employee benefit liability

All Swiss group entities have their individual, legally independent pension funds. The board of trustees of each pension fund is the body charged with governance and comprises an equal number of employee and employer representatives. The board of the pension fund is required by law and by regulations of the pension fund to act in the best interest of the pension fund and its beneficiaries. Resolutions must be passed on a basis of parity. The board is responsible for the determination of and any adjustments to be made to the pension regulations as well as for determining the funding requirements of the plan.

The funding requirements are subject to the legal minimum requirements of the Swiss Federal Law on Occupational Retirement, Surviving Dependents and Disability Pension (BVG) and its implementing provisions. The minimum insured salary and the minimum retirement credits are defined in the BVG. The minimum interest rate which has to be applied to these minimum retirement assets is determined by the Swiss Federal Council at least every two years. In 2017, the minimum interest rate was 1.00% (2016: 1.25%).

The pension funds are subject to oversight by the regulating authority (Stiftungsaufsicht).

All pension plans, with the exception of the "Kaderversicherung" (management insurance scheme) which is funded by the employer only, are jointly funded by employees and the employer. However, the group entities contribute a proportionally higher part to the plan than the employees.

The pension benefits are based on the pension balance. Retirement credits and interest are added to this balance annually. At the time of retirement, the insured individual can choose between either a lifelong annuity or a capital payment. The annuity is calculated by multiplication of the pension balance with the currently applicable conversion rate. In addition to the retirement benefits, pension benefits include disability benefits and widow's and/or orphans' pension. These are calculated as a percentage of the insured annual salary.

If an employee decides to leave the company, the pension balance of this employee is transferred to the pension fund of the new employer or to an independent benefits scheme. Following the design of defined benefit plans and the legal provisions of the BVG, there are actuarial risks such as the market (investment) risk, interest rate risk, disability risk and longevity risk associated with such plans.

In order to limit the risks arising from retirement benefits, long-term disability benefits and widow's and/or orphans' pensions which were incurred after January 1, 2013, a risk reinsurance contract was entered into with an insurance company. This contract replaced a Stop Loss Reinsurance which existed since January 1, 2008, with the same insurance company. The new contract contains a provision that transfers the risks of death and disability and the related regulatory benefit payments to the insurance company on a back to back basis.

Notes

Beginning January 1, 2018, the conversion rate will be reduced from 5.4821% to 5.0891%. As a result of this change, the Group's defined benefit liability was reduced by KCHF 6695. The corresponding income from past service costs was recognized in the consolidated income statement during the year 2017.

Balance sheet reconciliation

	Pension plans CH	Other post-employment benefit plans	Total 2017	Pension plans CH	Other post-employment benefit plans	Total 2016
<b>Funded plans</b>						
– Fair value of plan assets	338 681	6 119	344 800	336 990	5 727	342 717
– Defined benefit obligation	(369 955)	(6 657)	(376 612)	(384 766)	(6 078)	(390 844)
<b>Over/(under) funding</b>	<b>(31 274)</b>	<b>(538)</b>	<b>(31 812)</b>	<b>(47 776)</b>	<b>(351)</b>	<b>(48 127)</b>
<b>Unfunded plans</b>						
– defined benefit obligation	0	(1 078)	(1 078)	0	(1 141)	(1 141)
<b>Net recognized asset/(liability)</b>	<b>(31 274)</b>	<b>(1 616)</b>	<b>(32 890)</b>	<b>(47 776)</b>	<b>(1 492)</b>	<b>(49 268)</b>
Jubilees	0	(5 299)	(5 299)	0	(5 571)	(5 571)
Provision for termination pay	0	(1 096)	(1 096)	0	(1 066)	(1 066)
<b>(Net liability)/asset</b>	<b>(31 274)</b>	<b>(8 011)</b>	<b>(39 285)</b>	<b>(47 776)</b>	<b>(8 129)</b>	<b>(55 905)</b>
<b>Reported in balance sheet</b>						
– Other non-current assets (see note 9)			6 119			5 727
– Employee benefit liability			(45 404)			(61 632)
<b>Net recognized asset/(liability)</b>			<b>(39 285)</b>			<b>(55 905)</b>

The Swiss pension plans represent more than 95% of the plan assets and defined benefit obligation and are therefore disclosed in detail below.

Notes

Movement in net defined benefit (asset)/liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2017	2016	2017	2016	2017	2016
Balance at 1.1.	384 766	397 013	(336 990)	(344 211)	47 776	52 802
<b>Included in profit or loss</b>						
Current service cost	9 416	10 222	0	0	9 416	10 222
Past service cost	(6 695)	(4 540)	0	0	(6 695)	(4 540)
Interest cost (income)	2 309	2 978	(2 022)	(2 582)	287	396
<b>Total</b>	<b>5 030</b>	<b>8 660</b>	<b>(2 022)</b>	<b>(2 582)</b>	<b>3 008</b>	<b>6 078</b>
<b>Included in OCI</b>						
Remeasurements loss (gain):						
– Actuarial loss (gain) arising from:						
– demographic assumptions	0	(3 307)	0	0	0	(3 307)
– financial assumptions	(2 411)	4 625	0	0	(2 411)	4 625
– experience adjustment	3 610	(4 486)	0	0	3 610	(4 486)
– return on plan assets excluding interest income	0	0	(19 746)	(7 083)	(19 746)	(7 083)
<b>Total</b>	<b>1 199</b>	<b>(3 168)</b>	<b>(19 746)</b>	<b>(7 083)</b>	<b>(18 547)</b>	<b>(10 251)</b>
<b>Other</b>						
Employers' contributions	0	0	(963)	(853)	(963)	(853)
Employees' contributions	6 219	6 128	(6 219)	(6 128)	0	0
Vested benefits paid in/(paid out), net	(27 259)	(23 867)	27 259	23 867	0	0
<b>Total</b>	<b>(21 040)</b>	<b>(17 739)</b>	<b>20 077</b>	<b>16 886</b>	<b>(963)</b>	<b>(853)</b>
<b>Balance at 31.12.</b>	<b>369 955</b>	<b>384 766</b>	<b>(338 681)</b>	<b>(336 990)</b>	<b>(31 274)</b>	<b>(47 776)</b>

EMS expects to pay MCHF 3.8 into defined benefit plans in 2018.

	2017 (CHF '000)	2016 (CHF '000)
Plan assets		
Total assets	338 681	336 990
Liquidity	42%	33%
Bonds CHF*	12%	8%
Bonds EUR*	0%	0%
Swiss shares*	7%	15%
Shares abroad*	4%	12%
Property	28%	28%
Mortgages, loans	2%	2%
Other investments	5%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Plan assets with market prices.

Notes	2017 (CHF '000)	2016 (CHF '000)
Actuarial assumptions as of 31.12.		
Discount rate	0.65%	0.60%
Future salary growth	1.00%	1.00%
Mortality table	BVG 2015 GT	BVG 2015 GT
Sensitivity analysis		
Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date would have affected the defined benefit obligation by the amounts shown below, given that other assumptions remained constant:		
Discount rate +0.5%	(23 962)	(25 601)
Discount rate -0.5%	27 040	28 933
Future salary growth +0.5%	1 122	1 227
Future salary growth -0.5%	(1 145)	(1 219)
Life expectancy +1 year	11 082	11 674
Life expectancy -1 year	(11 441)	(12 044)
At December 31, 2017, the weighted average duration of the defined benefit obligation was 13.8 years (2016: 14.2 years).		

## 19 Provisions

(CHF '000)	Provisions for environmental risks	Provisions for litigation risks	Other provisions	Total
At 31.12. 2016	23 260	3 945	5 598	32 803
Increase via income statement	0	0	509	509
Decrease via income statement	(7 000)	(798)	(3 405)	(11 203)
Amounts used	0	0	(117)	(117)
Reclassifications	0	0	30	30
Translation differences	1	(20)	242	223
At 31.12. 2017	16 261	3 127	2 857	22 245
Of which: Current portion of provisions	0	0	635	635
Non-current portion of provisions	16 261	3 127	2 222	21 610

Provisions for environmental risks cover expected measures for ecological requirements, measures for water protection and for the recultivation and restoration of environmental conditions at existing production or storage sites. The non-current provision has an expected average maturity of 4 to 8 years.

The decrease of MCHF 7 is booked in the Segment High Performance Polymers.

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

Warranty provisions are mainly included within other provisions.

The non-current provisions for litigation risks and the non-current other provisions are expected with an average maturity of 2 years.

The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be < 5 % as per December 31, 2017.

Notes	2017 (CHF '000)	2016 (CHF '000)
20 Other current liabilities		
Advances from customers	4 332	3 013
Prepaid expenses and deferred income	98 839	123 241
Liabilities to social security institutions	2 433	1 683
Other current liabilities	50 471	44 922
Total other current liabilities	156 075	172 859
21 Liabilities, net/(net cash position)		
Bank loans (see note 17)	12 530	12 023
Hedges with a negative replacement value (see note 13)	23 275	13 207
Liabilities	35 805	25 230
less		
Other short-term financial assets (see note 12)	(31 374)	(47 305)
Loans from third party	0	(1)
Hedges with a positive replacement value (see note 13)	(2 721)	(7 520)
Treasury shares (see note 15)	0	(3 540)
Interest-bearing financial assets	(369 667)	(233 833)
Cash and cash equivalents (see note 14)	(271 550)	(384 665)
Liabilities, net/(net cash position)	(639 507)	(651 634)

## Consolidated Statement of Cash flows and further details

Notes	2017 (CHF '000)	2016 (CHF '000)
22 Depreciation, amortization and impairment of intangible assets and property, plant and equipment		
Amortization intangible assets	8 070	7 915
Depreciation property, plant and equipment	44 924	43 655
Impairment property, plant and equipment	0	4 706
Total depreciation, amortization and impairment of intangible assets and property, plant and equipment	52 994	56 276
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.		
23 Contingent liabilities		
Contingent liabilities at the end of the year amount to	22 191	22 064
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 19).		
24 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	23 387 951	23 381 875
Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	481 513	448 755
Basic earnings per share (CHF)	20.59	19.19
There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		



Notes	2017 (CHF '000)	2016 (CHF '000)
25 Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2016: 14 224 143 registered shares) Amount of holding	60.82%	60.82%
Miriam Baumann-Blocher, 2079000 registered shares (2016: 2079000 registered shares) Amount of holding	8.89%	8.89%
26 Transactions with related parties		
EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Executive Management as well as the close members of their families and associated companies are regarded as related parties.		
The members of the Board of Directors or Executive 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 remuneration report 2017/2018.		
Breakdown of the total compensation		
Short-term employee benefits to the members of the Board of Directors and Executive Management	4 400	4 400
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total compensation	4 400	4 400
Neither the members of the Board of Directors and the Executive Management nor their related parties have any conversion rights or options in EMS-CHEMIE HOLDING AG.		
The detailed disclosures of compensation as per Swiss law can be found in the remuneration report.		

Notes	2017 (CHF '000)	2016 (CHF '000)
27 Financial Risk Management		
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 9)	778	776
Trade receivables (see note 11)	332 428	276 786
Derivative financial instruments (see note 13)	2 721	7 520
Other short-term financial assets (see note 12)	31 374	47 305
Cash and cash equivalents (see note 14)	271 550	384 665
Total financial assets	638 851	717 052

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 trade receivables, see note 11.

#### Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12. 2017 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
<b>Non-derivative financial liabilities:</b>					
Current bank loans (see note 17)	12 487	12 558	12 558	0	0
Non-current bank loans (see note 17)	43	45	1	44	0
Trade payables	131 769	131 769	131 769	0	0
Prepaid expenses and deferred income (see note 20)	55 539	55 539	55 539	0	0
<b>Derivative financial liabilities:</b>					
Derivative financial instruments (see note 13)	23 275	669 213	413 125	256 088	0
Total financial liabilities	223 113	869 124	612 992	256 132	0

#### Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12. 2016 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
<b>Non-derivative financial liabilities:</b>					
Current bank loans (see note 17)	9 357	9 378	9 378	0	0
Non-current bank loans (see note 17)	2 666	2 725	8	2 717	0
Trade payables	106 252	106 252	106 252	0	0
Prepaid expenses and deferred income (see note 20)	64 793	64 793	64 793	0	0
<b>Derivative financial liabilities:</b>					
Derivative financial instruments (see note 13)	13 207	549 713	412 541	137 172	0
Total financial liabilities	196 275	732 861	592 972	139 889	0

Notes

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

The bank loans have variable interest rates. No derivative financial instruments on interest rates are used. A 100 basis point rise in the interest rate for deposits and bank loans would increase net income after taxes by CHF 2.1 million (2016: CHF 3.6 million). A 100 basis point fall in the interest rate for deposits and bank loans would increase net income after taxes by CHF 0.5 million (2016: CHF 0.6 million decrease).

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

Currency risks

Overview currency exposure, net

At 31.12.2017 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 11)	2 078	163 932	67 333	16 476	62 215	24 471
Loans to group companies	16 911	236 081	3 202	9 364	0	10 730
Trade payables	(731)	(63 545)	(24 960)	(10 107)	(10 745)	(10 988)
Loans from group companies	(2 460)	0	0	0	0	0
Current bank loans (see note 17)	0	0	0	(11 705)	(782)	0
Non-current bank loans (see note 17)	0	0	0	(43)	0	0
Derivative financial instruments (see note 13)	0	(514 670)	(48 561)	21 235	(41 986)	26 521
Currency exposure, net	15 798	(178 202)	(2 986)	25 220	8 702	50 734

At 31.12.2016 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 11)	2 449	119 460	75 064	13 420	42 166	26 797
Loans to group companies	18 892	345 153	3 206	9 439	0	4 034
Trade payables	(1 089)	(44 818)	(23 631)	(11 973)	(10 776)	(5 473)
Loans from group companies	(5 642)	0	0	0	0	0
Current bank loans (see note 17)	0	0	0	(7 429)	(1 928)	0
Non-current bank loans (see note 17)	0	0	0	(2 666)	0	0
Derivative financial instruments (see note 13)	0	(347 041)	(93 305)	67 679	(29 948)	(11 740)
Currency exposure, net	14 610	72 754	(38 666)	68 470	(486)	13 618

## Notes

### Sensitivity analysis of currency risks

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) net income after taxes by CHF –20.1 million (2016: CHF –15.3 million). Per currency: EUR: CHF –10.0 million (2016: CHF –7.5 million), USD: CHF –4.2 million (2016: CHF –5.1 million), JPY: CHF +0.5 million (2016: CHF +0.6 million), CNY: CHF –5.1 million. (2016: CHF –2.9 million), other currencies: CHF –1.3 million (2016: CHF –0.4 million).

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF +35.2 million (2016: CHF –77.9 million decrease/(increase)). Per currency: EUR: CHF +32.8 million (2016: CHF –50.6 million), USD: CHF +4.2 million (2016: CHF –25.5 million), JPY: CHF –2.9 million (2016: CHF –0.8 million), CNY: CHF 2.0 million. (2016: CHF 0.0 million), other currencies: CHF –0.9 million (2016: CHF –1.1 million).

This sensitivity analysis was performed at the balance sheet date and assumes that all other assumptions, e.g. interest rates, remain unchanged. The sensitivity analysis was performed on the same basis as for the previous year.

### Financial assets/liabilities: fair value hierarchy

At 31.12.2017 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 13)		2 721		2 721
Financial liabilities:				
Derivative financial instruments (see note 13)		(23 275)		(23 275)

At 31.12.2016 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 13)		7 520		7 520
Financial liabilities:				
Derivative financial instruments (see note 13)		(13 207)		(13 207)

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

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

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

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

### Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities correspond approximately to the fair values in accordance with IFRS. Regarding the fair values of bank loans see note 17.

Notes	2017 (CHF '000)	2016 (CHF '000)
Cash and cash equivalents (see note 14)	271 550	384 665
Other short-term financial assets (see note 12)	31 374	47 305
Other non-current assets (see note 9)	778	776
Trade receivables (see note 11)	332 428	276 786
Loans and receivables	364 580	324 867
Derivative financial instruments (assets; see note 13)	2 721	7 520
Non-current bank loans (see note 17)	43	2 666
Current bank loans (see note 17)	12 487	9 357
Trade payables	131 769	106 252
Prepaid expenses and deferred income (see note 20)	55 539	64 793
Financial liabilities measured at amortized cost	199 838	183 068
Derivative financial instruments (liabilities; see note 13)	23 275	13 207

## 28 Change in scope of consolidation

2017

Additions:

EMS-CHEMIE (Switzerland) AG: The company was founded on July 7, 2017.

2016

Additions:

EFTEC (Changshu) Automotive Materials Limited: The company was founded on February 2, 2016.

EFTEC (Changshu) Engineering Co. Limited: The company was founded on September 14, 2016.

## 29 Subsequent events

The consolidated financial statements were approved by the Board of Directors on March 19, 2018, and need to be approved by the Annual General Meeting on August 11, 2018.

Between December 31, 2017, and March 19, 2018, there were no 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 (at 31.12. 2017)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
<b>BUSINESS AREA HIGH PERFORMANCE POLYMERS</b>		
EMS-CHEMIE AG	Domat/Ems	Switzerland
EMS-CHEMIE (France) S.A.	Chaville	France
EMS-CHEMIE (UK) Ltd.	Stafford	UK
EMS-CHEMIE (Japan) Ltd.	Tokyo	Japan
EMS-UBE Ltd.	Ube	Japan
EMS-CHEMIE (Korea) Ltd.	Gyeonggi-do	South Korea
EMS-CHEMIE (Italia) S.r.l.	Como	Italy
EMS-INVENTA AG	Männedorf	Switzerland
EMS-CHEMIE (Produktion) AG	Domat/Ems	Switzerland
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-TOGO Corp.	Taylor, MI	USA
EMS-CHEMIE (North America) Inc.	Sumter, SC	USA
EFTEC North America, L.L.C.	Taylor, MI	USA
EFTEC Europe Holding AG	Zug	Switzerland
EMS-CHEMIE (Luxembourg) Sàrl	Senningerberg	Luxembourg
EMS-CHEMIE (Switzerland) AG	Romanshorn	Switzerland
EFTEC (Shanghai) Engineering Co. Ltd.	Shanghai	China (People's Rep.)
EFTEC (Changshu) Engineering Co. Ltd.	Changshu	China (People's Rep.)
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Chaville	France
EFTEC Brasil Ltda.	Santana de Parnaiba	Brazil
EFTEC (Elabuga) OOO	Elabuga	Russia
EFTEC (Nizhniy Novgorod) OOO	Nizhniy Novgorod	Russia
EFTEC Mexico S.A. de C.V.	Cuernavaca	Mexico
Grupo Placosa EFTEC S.A. de C.V.	Cuernavaca	Mexico
Placosa S.A. de C.V.	Cuernavaca	Mexico
Recubrimientos Modernos S.A. de C.V.	Cuernavaca	Mexico
EFTEC Engineering GmbH	Markdorf	Germany
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	Germany
EMS-CHEMIE (Deutschland) Vertriebs GmbH	Gross-Umstadt	Germany
EFTEC (Czech Republic) a.s.	Zlin	Czech Republic
EFTEC SL d.o.o.	Novo mesto	Slovenia
EFTEC (Slovakia) s.r.o.	Bratislava	Slovakia
EFTEC (Romania) S.R.L.	Budeasa	Romania
EFTEC (Ukraine) LLC	Zaporozhie	Ukraine
EFTEC Ltd.	Rhigos	UK
EFTEC NV	Genk	Belgium
EFTEC Systems S.A.	Zaragoza	Spain
EFTEC Asia Pte. Ltd.	Singapore	Singapore
EFTEC (Thailand) Co. Ltd.	Rayong	Thailand
EFTEC (India) Pvt. Ltd.	Pune	India
EFTEC China Ltd.	Hong Kong	China (People's Rep.)
Foshan EFTEC Automotive Materials Co., Ltd	Foshan	China (People's Rep.)
Shanghai EFTEC Chemical Products Ltd.	Shanghai	China (People's Rep.)
Changchun EFTEC Chemical Products Ltd.	Changchun	China (People's Rep.)
Wuhu EFTEC Chemical Products Ltd.	Wuhu	China (People's Rep.)
EFTEC (Shanghai) Services Co. Ltd.	Shanghai	China (People's Rep.)
EFTEC (Changshu) Automotive Materials Limited	Changshu	China (People's Rep.)
<b>BUSINESS AREA SPECIALTY CHEMICALS</b>		
EMS-GRILTECH *		
EMS-CHEMIE (Neumünster) Holding GmbH	Neumünster	Germany
EMS-CHEMIE (Neumünster) GmbH & Co. KG	Neumünster	Germany
EMS-CHEMIE (Neumünster) Verwaltungs GmbH	Neumünster	Germany
EMS-PATVAG s.r.o.	Brankovice	Czech Republic

Currency	Share capital (in '000)	Amount of holding	Category	Consolidation
CHF	234		D	K
CHF	60	100.00%	D	K
CHF	100	100.00%	D	K
CHF	100	100.00%	V, D	K
EUR	1 951	100.00%	V	K
GBP	1 530	100.00%	V	K
JPY	210 000	100.00%	V	K
JPY	1 500 000	66.67%	P, V	K
KRW	113 000	100.00%	V	K
EUR	1 300	100.00%	V	K
CHF	50	100.00%	D	K
CHF	100	100.00%	P	K
TWD	281 000	100.00%	P, V	K
CNY	5 000	100.00%	V	K
CNY	98 693	100.00%	P, V	K
USD	750	100.00%	D	K
USD	3 385	100.00%	P, V	K
USD	38 222	100.00%	P, V	K
CHF	8 000	100.00%	D	K
EUR	200	100.00%	V, D	K
EUR	100	100.00%	V, D	K
CNY	886	100.00%	P, V	K
CNY	765	100.00%	P, V	K
CHF	2 500	100.00%	P, V	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P, V	K
RUB	37 514	100.00%	P, V	K
RUB	37 200	100.00%	P, V	K
MXN	50	100.00%	V	K
MXN	19 451	100.00%	D	K
MXN	47 409	100.00%	P	K
MXN	550	100.00%	D	K
EUR	25	100.00%	P, V	K
EUR	2 556	100.00%	P	K
EUR	25 000	100.00%	V	K
CZK	47 569	100.00%	P, V	K
EUR	10	100.00%	V	K
EUR	7	100.00%	V	K
RON	8 083	100.00%	P, V	K
UAH	23	100.00%	V	K
GBP	352	100.00%	P, V	K
EUR	1 240	100.00%	P, V	K
EUR	944	100.00%	P, V	K
USD	3 518	100.00%	D, V	K
THB	49 500	100.00%	P, V	K
INR	15 000	100.00%	P, V	K
USD	33 206	75.00%	D	K
CNY	6 849	100.00%	P, V	K
CNY	20 750	100.00%	P, V	K
CNY	27 500	100.00%	P, V	K
CNY	6 650	60.00%	P, V	K
CNY	952	100.00%	D	K
CNY	80 110	100.00%	P, V	K
EUR	25	100.00%	D	K
EUR	3 000	100.00%	P	K
EUR	25	100.00%	D	K
CZK	30 000	100.00%	P, V	K

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

## Statutory Auditor's Report

To the General Meeting of EMS-CHEMIE HOLDING AG, Domat/Ems

### Statutory auditor's report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 19 to 53) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.



## Accounting for uncertain overseas tax positions

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### Area of focus

The Group operates across a number of different tax jurisdictions and is subject to periodic challenge by tax authorities on a range of direct and indirect tax matters including customs duties during the normal course of business. Compliance with these requirements can, by nature, be ascertained only with delay on the basis of official statements, final tax assessments or completed tax audits.

The evaluation of uncertain overseas tax positions includes a significant element of judgement in the estimates and assumptions to be made regarding the correct application of tax regulations and compliance with the respective authorities' tax and countries practices.

These estimates and assumptions are based on the information available as at the balance sheet date. Consequently, there is a risk that the actual results may deviate from these estimates and assumptions and therefore the overseas tax liabilities subsequently may require significant adjustments.

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### Our audit response

We mainly performed the following audit procedures:

- We obtained an overview of the current status of open tax assessment periods, procedures and tax audits.
- We examined correspondence with tax authorities.
- We analysed management's assessment of identified uncertain tax positions.
- We reviewed the estimates and assumptions made with the assistance of our tax specialists.
- We compared the estimates and assumptions made to those of the previous year and analyzed changes.
- We reviewed tax exposures estimated by management and the risk analysis associated with these exposures along with claims or assessments made by tax authorities to date.

## Other matter

The consolidated financial statements of EMS-CHEMIE HOLDING AG for the year ended 31 December 2016 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 24 March 2017.

## Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises page 4 (Share performance) and page 7 (Key Figures 2013–2017) of the Financial Report, but does not include the consolidated financial statements and our auditor's reports thereon, which we obtained prior to the date of this auditor's report and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

## Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd



Willy Hofstetter  
Licensed audit expert  
(Auditor in charge)



Gianantonio Zanetti  
Licensed audit expert

Zurich, 19 March 2018



# **Financial Statements** **EMS-CHEMIE HOLDING AG**

**for the financial year May 1, 2017 – April 30, 2018**



## Income Statement May 1, 2017 to April 30, 2018

	Notes	2017/2018 (CHF '000)	2016/2017 (CHF '000)
<b>INCOME</b>			
Dividends from subsidiaries		429 084	374 402
License fees from subsidiaries		79 446	73 546
Other financial income	2.1	14 505	12 876
Other operating income		2 415	2 772
Extraordinary income	2.2	9 500	0
<b>Total income</b>		<b>534 950</b>	<b>463 596</b>
<b>EXPENSES</b>			
Financial expenses	2.3	60 023	19 627
Other operating expenses	2.4	14 532	16 367
Direct taxes		2 363	3 636
<b>Total expenses</b>		<b>76 918</b>	<b>39 630</b>
<b>Net income</b>		<b>458 032</b>	<b>423 966</b>

## Balance Sheet as at April 30, 2018

EMS-CHEMIE HOLDING AG  
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	Notes	30. 4. 2018 (CHF '000)	30. 4. 2017 (CHF '000)
<b>Non-current assets</b>		<b>323 344</b>	<b>289 277</b>
Investments in subsidiaries	2.5	280 352	280 352
Non-current financial assets	2.6	42 992	8 925
<b>Current assets</b>		<b>549 126</b>	<b>445 891</b>
Prepaid expenses and accrued income		26 712	23 305
Current financial assets	2.6	30 008	45 008
Other current receivables	2.7	445 652	318 438
Cash and cash equivalents		46 754	59 140
<b>TOTAL ASSETS</b>		<b>872 470</b>	<b>735 168</b>

<b>Equity</b>		<b>726 206</b>	<b>662 247</b>
Share capital	2.8	234	234
Legal retained earnings			
General legal reserve		47	47
Free reserves		10 000	10 000
Available earnings	2.9	715 925	655 506
Treasury shares	2.10	0	(3 540)
<b>Liabilities</b>		<b>146 264</b>	<b>72 921</b>
Long-term liabilities		3 074	12 574
Provisions	2.2	3 074	12 574
Short-term liabilities		143 190	60 347
Accrued expenses and deferred income	2.11	39 815	18 654
Other short-term liabilities	2.12	103 375	41 693
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>872 470</b>	<b>735 168</b>
Balance sheet equity ratio		83.2 %	90.1 %

## Notes to the Financial Statements 2017/2018

### 1. Principles

#### 1.1 General aspects

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

#### 1.2 Investments in subsidiaries

The investments are valued using generally accepted valuation principles at cost or at the lower of the value in use at the balance sheet date.

#### 1.3 Financial assets

Financial assets include loans and assets at banks. Loans granted in foreign currencies are valued at historical exchange rates or at the lower balance sheet rate.

#### 1.4 Treasury shares

Treasury shares are recognized at acquisition costs at the acquisition date and deducted from equity. At disposal, the resulting gain or loss is recognized in the income statement as other financial income or as financial expenses.

#### 1.5 Dividends and license fees from subsidiaries

Dividend income is recognized at the time of receipt of payment, licensing income when the legal claim is created.

#### 1.6 Foregoing a cash flow statement and additional disclosures in the notes

As EMS-CHEMIE HOLDING AG has prepared its consolidated financial statements in accordance with a recognised accounting standard (IFRS), it has decided to forego presenting additional information as well as a cash flow statement in accordance with the law.

### 2. Information on income statement and balance sheet items

Notes	2017/2018 (CHF '000)	2016/2017 (CHF '000)
2.1 Other financial income		
Interest income	403	341
Foreign exchange gains	12 586	12 535
Result from Treasury shares	1 516	0
Total other financial income	14 505	12 876
2.2 Extraordinary income		
Release of unused provisions	9 500	0
Total extraordinary income	9 500	0
2.3 Financial expenses		
Interest expenses	1 481	977
Bank charges, duties, fees	114	102
Foreign withholding taxes	3 725	2 783
Foreign exchange losses	54 703	15 765
Total financial expenses	60 023	19 627



Notes	2017/2018 (CHF '000)	2016/2017 (CHF '000)
2.4 Other operating expenses		
Fee for contract research	13 538	15 238
Administration	994	1 129
Total other operating expenses	14 532	16 367
<p>EMS-CHEMIE HOLDING AG is beneficial owner of various intellectual property for which it receives royalty payments. EMS-PATENT AG is responsible for the development and research of new technologies, know-how and trademarks. The contract research is funded by EMS-CHEMIE HOLDING AG, which pays EMS-PATENT AG a fee in return.</p>		
2.5 Investments in subsidiaries		
<p>Details of the investments can be seen in note 30, "List of subsidiaries" in the consolidated financial statements of the EMS-Group. As in the prior year, there were no changes in the period from January 1, 2018 to April 30, 2018.</p>		
	30.04.2018	30.04.2017
2.6 Financial assets		
Deposits with Banks	30 008	45 008
Loans and investments to subsidiaries	26 153	8 925
Loans to other group companies	16 839	0
Total financial assets	73 000	53 933
Thereof current	30 008	45 008
Thereof non-current	42 992	8 925
2.7 Other current receivables		
Receivables from third parties	433 437	311 482
Receivables from subsidiaries	12 215	6 956
Total other current receivables	445 652	318 438
<p>Receivables from third parties consist of withholding tax credits.                      Receivables from subsidiaries include in particular short-term loans.</p>		
2.8 Share capital		
<p>The EMS-CHEMIE Holding has the following significant shareholders:                      EMESTA HOLDING AG, Zug, 14 224 143 registered shares                      (2016/2017: 14 224 143 registered shares)</p>		
Amount of holding	60.82%	60.82%
<p>Miriam Baumann-Blocher, 2 079 000 registered shares                      (2016/2017: 2 079 000 registered shares)</p>		
Amount of holding	8.89%	8.89%
<p>No other representation of significant shareholders is known to the Board of Directors.</p>		

Notes	2017/2018 (CHF '000)	2016/2017 (CHF '000)
2.9 Available earnings		
At 1. 5.	655 506	582 260
Dividends paid	(397 613)	(350 720)
Net income	458 032	423 966
At 30. 4.	715 925	655 506

#### 2.10 Treasury shares

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital
At 30.4.2016	CHF 0.01	23 389 028	7 751	23 381 277	234
Change in treasury shares		–	0	0	0
At 30.4.2017	CHF 0.01	23 389 028	7 751	23 381 277	234
Change in treasury shares		–	(7 751)	7 751	0
At 30.4.2018	CHF 0.01	23 389 028	0	23 389 028	234

	Number of registered shares 2018	Number of registered shares 2017
Details to treasury shares:		
At 1. 5.	7 751	7 751
Purchases	0	0
Sales	(7 751)	0
At 30. 4.	0	7 751

During the reporting period, 7 751 shares were sold at an average market price of CHF 652.38. There were no transactions with treasury shares in the comparative period.

#### 2.11 Accrued expenses and deferred income

The item includes accruals for losses on open forward exchange contracts, research expenses and third party services.

	30.04.2018	30.04.2017
2.12 Other short-term liabilities		
Other liabilities due to third parties	1 731	3 392
Other liabilities due to subsidiaries	101 644	38 301
Total other short-term liabilities	103 375	41 693

Other short-term liabilities due to third parties include particularly liabilities for income taxes. Other short-term liabilities due to subsidiaries mainly include current accounts from the cash pool and short-term loans.

### 3. Other disclosures

3.1 Contingent liabilities		
Guarantees (maximum liability)	56 443	65 503

Notes		30.04.2018 (CHF '000)	30.04.2017 (CHF '000)
3.2 Shareholding			
Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG held by the members of the Board of Directors, members of the Executive Management and related parties:			
Board of Directors	Function	Number of registered shares	
Dr U. Berg	Chairman	3 600	3 600
M. Martullo	Vice-Chairman	0*	0*
Dr J. Streu	Member	0	0
B. Merki	Member	0	0
Total Board of Directors		3 600	3 600
Executive Management	Function		
M. Martullo	CEO	0*	0*
P. Germann	Member	0	0
Dr R. Holderegger	Member (until 31.12.2017)	–	0
M. Kremmel	Member (until 31.12.2017)	–	0
S. Baumgärtner	CFO (since 16.10.2017)	0	–
D. Radanovic	Member (since 1.1.2018)	0	–
Dr J. Spindler	Member (from 1.2.2017 to 31.12.2017)	–	–
Total Executive Management		0	0

\* Excluding EMESTA-HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 2.8).

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

### 3.3 Full-time equivalents

In the reporting period and in the prior year period, EMS-CHEMIE HOLDING AG employed fewer than 10 employees on average.

## Proposed Appropriation of Available Earnings

	2017/2018 (CHF)	2016/2017 (CHF)
Balance brought forward	257 892 624	231 540 463
Net income	458 032 042	423 965 637
Total available earnings	715 924 666	655 506 100
The Board of Directors proposes the following appropriation of available earnings:		
Payment of an ordinary dividend of CHF 14.50 (previous year CHF 13.00) gross and an extraordinary dividend of CHF 3.50 (previous year CHF 4.00) gross per registered share entitled to dividend	(339 140 906)	(304 057 364)
	(81 861 598)	(93 556 112)
Balance to be carried forward	294 922 162	257 892 624

## Statutory Auditor's Report

To the General Meeting of EMS-CHEMIE HOLDING AG, Domat/Ems

### Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the balance sheet, income statement and notes (pages 60 to 65), for the year ended 30 April 2018.

#### Board of Directors' responsibility

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

#### Auditor's responsibility

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

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

#### Opinion

In our opinion, the financial statements for the year ended 30 April 2018 comply with Swiss law and the company's articles of incorporation.

## Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

### Other matter

The financial statements of EMS-CHEMIE HOLDING AG for the year ended 31 December 2017 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on 23 June 2017.

### Report on other legal requirements

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

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

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

Ernst & Young Ltd



Willy Hofstetter  
Licensed audit expert  
(Auditor in charge)



Gianantonio Zanetti  
Licensed audit expert

Zurich, 15 June 2018

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Annual Report 2017/2018

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