Finance Report 2018

Excerpt from the
56th Annual Report 2018/2019

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Content

Share Performance

	2018	2017	2016	2015	2014
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	23 389 028	23 381 277	23 389 028	23 389 028
Treasury shares	0	0	7 751	0	0
Information per share (in CHF):					
Dividend per share	19.75 [1]	18.50	17.00	15.00	12.00
Of which ordinary dividend	15.50	14.50	13.00	11.00	10.00
Of which extraordinary dividend	4.25	4.00	4.00	4.00	2.00
Earnings per share	22.22	20.59	19.19	16.09	14.66
Cash flow per share [2]	24.61	22.98	21.89	18.78	17.30
Equity per share [3]	69.48	65.20	60.09	55.18	53.47
Stock prices [4]					
High	691.00	707.00	547.50	472.00	413.25
Low	447.60	508.00	404.50	327.00	305.45
At December 31	467.00	650.50	517.50	441.00	403.75
Market capitalisation on December 31 (CHF millions)	10 922.7	15 214.6	12 103.8	10 314.6	9 443.3

Registered shares are listed on the SIX Swiss Exchange.

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

1) Proposal of the Board of Directors.
2) Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.
3) Excluding non-controlling interests.
4) Source: Bloomberg.

Key Figures 2014–2018

CHF millions	2018	2017	2016	2015	2014
Net sales revenue	2 318.3	2 145.8	1 983.1	1 905.4	1 971.9
Change in % against previous year	+8.0 %	+8.2 %	+4.1 %	–3.4 %	+4.6 %
Change in local currencies	+6.4 %	+7.5 %	+3.8 %	+3.7 %	+7.8 %
Of which in Switzerland	3.4 %	3.2 %	3.1 %	3.4 %	3.9 %
Net operating income (EBIT)	620.2	582.0	547.7	468.6	423.2
Change in % against previous year	+6.6 %	+6.3 %	+16.9 %	+10.7 %	+14.7 %
In % of net sales revenue	26.8 %	27.1 %	27.6 %	24.6 %	21.5 %
Net financial income	–2.0	0.9	–5.2	–9.5	–8.5
Income taxes	95.8	98.5	86.9	76.4	65.3
Net income	522.3	484.4	455.5	382.7	349.4
Change in % against previous year	+7.8 %	+6.3 %	+19.0 %	+9.5 %	+7.9 %
In % of net sales revenue	22.5 %	22.6 %	23.0 %	20.1 %	17.7 %
Cash flow [1]	575.5	537.4	511.8	439.0	404.5
Change in % against previous year	+7.1 %	+5.0 %	+16.6 %	+8.5 %	+6.7 %
In % of net sales revenue	24.8 %	25.0 %	25.8 %	23.0 %	20.5 %
Investments	60.2	49.3	71.5	54.8	52.3
In % of cash flow	10.5 %	9.2 %	14.0 %	12.5 %	12.9 %
Balance sheet total	2 157.6	2 100.0	1 984.6	1 891.0	1 845.6
Assets					
Current assets	1 517.9	1 460.4	1 337.5	1 257.8	1 194.2
Non-current assets	639.7	639.6	647.1	633.2	651.4
Equity and liabilities					
Current liabilities	365.2	390.6	366.6	373.7	388.2
Non-current liabilities	147.8	158.9	190.2	205.5	189.2
Equity [2]	1 625.1	1 525.0	1 405.0	1 290.3	1 250.2
Balance sheet equity ratio	75.3 %	72.6 %	70.8 %	68.2 %	67.7 %
Return on equity	32.0 %	31.6 %	31.9 %	29.2 %	27.4 %
Number of employees on December 31 [3]	2 939	2 912	2 897	2 855	2 865

[1] Cash flow = net income plus write-downs on intangible assets, property, plant and equipment plus value adjustments to securities.
[2] Excluding non-controlling interests.
[3] Excluding apprentices (2018: 136; 2017: 138; 2016: 144 ; 2015: 141; 2014: 139).

Remuneration Report

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 42% of the total remuneration sum (2017/2018: 47%).

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

The following remuneration was paid in the reporting year (1.5.2018–30.4.2019):

		2018/2019 (CHF '000)	2017/2018 (CHF '000)
Board of Directors	**Function**	**Remuneration**	
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
Ch. Mäder	Member (since 11.8.2018)	91	–
Total Board of Directors		836	745
Executive Management			
Total remuneration paid to the Executive Management was Of this, KCHF 1 329 (2017/2018: KCHF 1 741) was variable remuneration components. The highest remuneration for a member of Executive Management in the reporting year was KCHF 1 093 (2017/2018: KCHF 1 092) and of this, KCHF 575 (2017/2018: KCHF 575) as variable remuneration component, paid to M. Martullo, independent of her remuneration as Member of the Board of Directors.		3 141	3 666
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.		3 977	4 411
Advisory board	There is no advisory board.		
No remuneration was paid to former members of the Board of Directors or Executive Management in connection with any earlier function within the company. 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 2019: Approval of the remuneration 2018/2019

Total sum of remuneration to the Board of Directors to be approved: KCHF 836.
Total sum of remuneration to Executive Management to be approved: KCHF 3 141.

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 2019. 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 18 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 2019 of EMS-CHEMIE HOLDING AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

W. Hofstetter   G. Zanetti

Willy Hofstetter
Licensed audit expert
(Auditor in charge)

Gianantonio Zanetti
Licensed audit expert

Zurich, 27 June 2019

Consolidated Income Statement

	Notes	2018 (CHF '000)	2017 (CHF '000)
Net sales revenue from contracts with customers		2 318 254	2 145 820
Inventory changes, semi-finished and finished goods		10 420	31 923
Capitalized costs and other operating income	1	31 329	30 749
Material expenses		(1 313 658)	(1 228 955)
Personnel expenses	2	(243 727)	(224 586)
Other operating expenses	3	(129 279)	(119 975)
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)		673 339	634 976
Depreciation and amortization	8, 23	(53 181)	(52 994)
NET OPERATING INCOME (EBIT)		620 158	581 982
Financial income	5	398	2 372
Financial expenses	6	(2 422)	(1 487)
NET INCOME BEFORE TAXES		618 134	582 867
Income taxes	7	(95 811)	(98 467)
NET INCOME		522 323	484 400
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		519 615	481 513
Non-controlling interests	17	2 708	2 887
Earnings per share in CHF:			
Basic	25	22.22	20.59
Diluted	25	22.22	20.59

Consolidated Statement of Comprehensive Income

	Notes	2018 (CHF '000)	2017 (CHF '000)
Net income recognized in income statement		522 323	484 400
Actuarial gains from defined benefit pension plans, net of tax		5 237	15 394
Items that will not be reclassified to income statement, net of tax		5 237	15 394
Net changes from cash flow hedges, net of tax	14	29 147	(13 703)
Currency translation differences		(21 954)	29 996
Items that are or may be reclassified to profit or loss		7 193	16 293
Other comprehensive income		12 430	31 687
COMPREHENSIVE INCOME		534 753	516 087
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		532 815	512 684
Non-controlling interests	17	1 938	3 403

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

	Notes	31.12.2018 (CHF '000)	31.12.2017* (CHF '000)
NON-CURRENT ASSETS		639 675	639 638
Intangible assets	8	64 084	72 578
Property, plant and equipment	8	547 678	541 244
Investments		188	188
Other non-current assets	9	6 381	6 897
Derivative financial instruments	14	6 505	539
Deferred income tax assets	7	14 839	18 192
CURRENT ASSETS		1 517 942	1 460 361
Inventories	10	443 958	389 095
Trade receivables	11	341 157	332 428
Income tax assets		6 656	6 782
Other current assets*	12	432 357	426 950
Derivative and other financial assets*	13	6 881	33 556
Cash and cash equivalents	15	286 933	271 550
TOTAL ASSETS		2 157 617	2 099 999
EQUITY		1 644 662	1 550 410
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 625 076	1 524 958
Share capital	16	234	234
Treasury shares		0	0
Retained earnings and reserves		1 624 842	1 524 724
Equity, attributable to non-controlling interests	17	19 586	25 452
LIABILITIES		512 955	549 589
Non-current liabilities		147 785	158 940
Derivative financial instruments	14	0	2 636
Bank loans	18	45	43
Other non-current liabilities		16	16
Deferred income tax liabilities	7	82 694	89 231
Employee benefit liability	19	43 136	45 404
Provisions	20	21 894	21 610
Current liabilities		365 170	390 649
Derivative financial instruments	14	972	20 639
Bank loans	18	5 447	12 487
Trade payables		128 913	131 769
Income tax liabilities		80 185	69 044
Provisions	20	1433	635
Other current liabilities	21	148 220	156 075
TOTAL EQUITY AND LIABILITIES		2 157 617	2 099 999

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.
* see Consolidated accounting principles regarding the restated presentation

Consolidated Statement of Changes in Equity

(CHF '000)	Share capital	Capital reserves (share premium)	Treasury shares	Retained earnings	Hedging reserves from IFRS 9	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
At 31.12.2016	**234**	**24 279**	**(3 540)**	**1 495 560**	**(5 242)**	**(106 341)**	**1 404 950**	**22 832**	**1 427 782**
Net changes from cash flow hedges					(13 703)		(13 703)		(13 703)
Acturial gains from defined benefit pension plans				15 394			15 394		15 394
Currency translation differences						29 480	29 480	516	29 996
Other comprehensive income				**15 394**	**(13 703)**	**29 480**	**31 171**	**516**	**31 687**
Net income recognized in income statement				481 513			481 513	2 887	484 400
Comprehensive income	**0**	**0**	**0**	**496 907**	**(13 703)**	**29 480**	**512 684**	**3 403**	**516 087**
Transactions with treasury shares		1 397	3 540				4 937		4 937
Dividends paid				(397 613)			(397 613)	(783)	(398 396)
At 31.12.2017	**234**	**25 676**	**0**	**1 594 854**	**(18 945)**	**(76 861)**	**1 524 958**	**25 452**	**1 550 410**
Net changes from cash flow hedges					29 147		29 147		29 147
Acturial gains from defined benefit pension plans				5 237			5 237		5 237
Currency translation differences						(21 184)	(21 184)	(770)	(21 954)
Other comprehensive income				**5 237**	**29 147**	**(21 184)**	**13 200**	**(770)**	**12 430**
Net income recognized in income statement				519 615			519 615	2 708	522 323
Comprehensive income	**0**	**0**	**0**	**524 852**	**29 147**	**(21 184)**	**532 815**	**1 938**	**534 753**
Transactions with treasury shares							0		0
Dividends paid				(432 697)			(432 697)	(7 804)	(440 501)
At 31.12.2018	**234**	**25 676**	**0**	**1 687 009**	**10 202**	**(98 045)**	**1 625 076**	**19 586**	**1 644 662**

	2018	2017
Balance sheet equity ratio	75.3 %	73.8 %

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2017: KCHF 47) not eligible for distribution.
On February 8, 2019, the company announced that the Board of Directors will propose a dividend payment of CHF 19.75 per each share to the ordinary annual shareholder meeting on August 10, 2019 (CHF 15.50 ordinary dividend, CHF 4.25 extraordinary dividend).

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

Consolidated Statement of Cash Flows

	Notes	2018 (CHF '000)	2017 (CHF '000)
Net income		522 323	484 400
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	8, 23	53 181	52 994
Loss from disposal of property, plant and equipment, net	3	1 914	1 053
Increase/(decrease) of provisions	20	945	(10 694)
Increase/(decrease) of other non-current liabilities		0	1
Unrealised currency translation (gains)/losses on foreign exchange positions		3 539	(1 443)
Change assets and liabilities of post-employment benefits, net	19	4 154	1 927
Net interest income	5, 6	447	233
Dividends on available-for-sale securities	5	(2)	(1)
Expenses for income taxes	7	95 811	98 467
Changes in net working capital		(91 176)	(85 231)
Taxes paid		(90 585)	(97 983)
Interest paid		(843)	(1 023)
Provisions used	20	(387)	(117)
CASH FLOW FROM OPERATING ACTIVITIES A		499 321	442 583
Purchase of intangible assets and property, plant and equipment	8	(60 170)	(49 270)
Disposal of intangible assets and property, plant and equipment	3, 8	2 651	411
Decrease in other non-current assets	9	374	(2)
Interest received		145	662
Dividends received		2	1
Paid withholding taxes	12	(149 246)	(135 831)
Received withholding taxes	12	148 369	0
Disposal of interest-bearing assets	12	26 695	15 931
CASH FLOW FROM INVESTING ACTIVITIES B		(31 180)	(168 098)
Dividends paid to shareholders of EMS-CHEMIE HOLDING AG		(432 697)	(397 613)
Dividends paid to non-controlling interests	17	(7 804)	(783)
Sale of treasury shares	16	0	3 540
Borrowing of interest-bearing liabilities	18	2	3 130
Repayment of interest-bearing liabilities	18	(7 040)	(2 623)
CASH FLOW FROM FINANCING ACTIVITIES C		(447 539)	(394 349)
Increase/(decrease) in cash and cash equivalents (A + B + C)		20 602	(119 864)
Cash and cash equivalents at 1.1.		271 550	384 665
Translation difference on cash and cash equivalents		(5 219)	6 749
Cash and cash equivalents at 31.12.	15	286 933	271 550

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Consolidated accounting principles

General information on the consolidated financial statements

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

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

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 lifes 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

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 20.

Employee benefits

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

Taxes

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

The EMS Group has implemented the following new standards effective January 1, 2018:
IFRS 9 Financial instruments
IFRS 15 Revenues from Contracts with Customers

The EMS Group has implemented various amendments to existing standards effective January 1, 2019: IFRS 2 Classification and measurement of Share-based payment transaction, IFRIC 22 Foreign Currency Transactions and Advance Consideration and yearly improvements in IFRS from 2014 to 2016. None of these amendments have a material impact on the Group's overall results and financial position.

IFRS 9 – Financial instruments
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. Allowances for doubtful trade receivables are not determined anymore on the basis of historical losses, however on the basis of future expected credit losses. The Group does not anticipate any material changes on the allowances for doubtful receivables due to the new measurement. The adoption of IFRS 9 did not have a material impact on the equity as of January 1, 2018.

In order to improve the transparency of the presentation, receivables are now presented separately from other current assets. In addition "derivative financial instruments" will be grouped together with "other short-term financial assets" under "derivative and other financial assets". The restatement will be applied retrospectively. The effects on the relevant items in the balance sheet are presented below:

Balance sheet as of December 31, 2017

In million CHF	Reported	Re-classification	Restated
Other receivables	458	– 458	
Derivative financial instruments	2	– 2	
Other current assets		+ 427	427
Derivative and other financial assets		+ 34	34
Total current assets	1 460	–	1 460

IFRS 15 – Revenues from Contracts with Customers
The EMS Group adopted the new standard as of January 1, 2018. 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. Revenue is recognised according to IFRS 15 when the control over the goods or services is transferred to the customer. This can be at a point in time or over time. The adoption of the new standard has no effect on the revenue recognition of the Group for the net sales revenue reported in 2017 and therefore no restatement is necessary. However, IFRS 15 requires a separate disclosure of contract assets and contract liabilities on the balance sheet.

The EMS Group reports as of December 31, 2018 contract assets of CHF 16 million (as a part of the "Other short-term assets") and contract liabilities of CHF 8 million (as a part of the "Other short-term liabilities").

The contract assets primarily consist of performance obligations from long-term construction contracts in the segment High Performance Polymers that have been satisfied. As of December 31, 2018, the value was reported in accrued income (December 31, 2017: CHF 15 million).
The contract liabilities consist of prepayments from customers for performance obligations in the future. As of December 31, 2018, the value was reported in prepaid expenses/deferred income and advances from customers. Comparative values have been adapted accordingly. The carrying amounts for contract assets and contract liabilities are shown in note 12 and 21.

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 16 – Leases
The EMS Group plans to implement the new standard effective January 1, 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 new leasing standard released by IASB removes the distinction between finance and operating leases for lessees. The application of the standard recorded on the balance sheet will increase the assets (right-of-use asset) and the liabilities of CHF 19 million. 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 32 "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)

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

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

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

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. The details to the "operating leases" are shown in Note 29.

Investments

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

Inventories

Inventories used for production are valued at their historical purchase or production cost or at their net 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.

Financial Assets – classifications and categories

The classification of financial assets is dependent on the business model for managing the financial assets and their contractual cash flow characteristics. IFRS 9 specifies the business models "hold to collect", "hold to collect and sell" and "held for trading". Financial instruments whose cash flows are solely payments of principal and interest on the outstanding principal amount ("SPPI") are classified and measured depending on the objective of the business model at amortized cost or at fair value through other comprehensive income.

Trade receivables

This item is measured on the basis of the original invoiced amount less allowances for doubtful accounts. Such allowances are formed on the basis of future expected credit losses using the simplified approach, as trade receivables are considered short term (with payment terms 30 to 60 days) and do not include an interest component. The expected credit losses are based on forward looking assumptions and of historically observed default rates.The allowance represents the difference between the invoiced amount and the recoverable amount.

Securities

Securities include marketable securities traded on stock exchanges. Initial measurement of all security transactions is done at the date of fulfilment of the contract (settlement date accounting) at fair value. Subsequent measurement is done at fair value. Their business model is classified as "held for trading", with the changes in fair value recorded in the income statement as financial income or expense.

Cash and cash equivalents

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

Other current financial assets

Other current financial assets include fixed-term deposits or money market instruments with a notice period of more than 3 months. Those are entered with financial institutions of high-grade credit rating ("investment grade"). The applicable business model is classified as "hold to collect" with the objective to collect the contractual cash flows (interest income) and the principal amount at maturity. They are measured at amortized costs.

Impairments for other current financial assets are recognized in financial income/expenses when at the balance sheet date a significant increase in the risk of default is observed. This is the case if the counterparty does not hold an investment grade rating anymore. In a next level, when objective evidence exists that the counterparty is insolvent or in substantial financial difficulties, individual value adjustments are recognized.

Non-current bank loans

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

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

Provisions

Provisions are set up for legal or 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

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

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

Hedge accounting

Hedge accounting as defined by IFRS 9 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

Invoicing for goods and services is recognised as sales at the point in time when the control over the goods is transferred to the customer. The performance obligations primarily consist of the delivery of manufactured products (polymers) to the agreed specifications depending on contractual terms.
In the EMS Group more than 90% of the net sales are recognised 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.
A minor part of the net sales revenue is recognized over time, which is related to rendered services in regards to the project business (long-term construction contracts) in the segment High Performance Polymers.

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:

			Average exchange rates		Year-end exchange rates	
		Unit	2018	2017	2018	2017
Euro	EUR	1	1.155	1.112	1.126	1.169
US Dollar	USD	1	0.978	0.985	0.985	0.979
Japanese Yen	JPY	100	0.886	0.878	0.893	0.867
Chinese Renminbi	CNY	100	14.799	14.595	14.310	15.000
Taiwan Dollar	TWD	100	3.245	3.237	3.220	3.294

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

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

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

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 75.3% as at December 31, 2018 (December 31, 2017: 73.8%). 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

	High Performance Polymers		Specialty Chemicals		Total	
(CHF '000)	2018	2017	2018	2017	2018	2017
Net sales revenue recognised at a point in time	2 004 690	1 845 425	290 673	275 306	2 295 363	2 120 731
Net sales revenue recognised over time	22 891	25 089	0	0	22 891	25 089
Total net sales revenue	2 027 581	1 870 514	290 673	275 306	2 318 254	2 145 820
EBITDA	587 027	552 994	86 312	81 982	673 339	634 976
Depreciation, amortization and impairments [1]	47 178	46 846	6 003	6 148	53 181	52 994
Net operating income (EBIT)	539 849	506 148	80 309	75 834	620 158	581 982
Net financial income					(2 024)	885
Net income before taxes					618 134	582 867
Income taxes					(95 811)	(98 467)
Net income					522 323	484 400

No net sales revenues exist between the segments.

	High Performance Polymers		Specialty Chemicals		Non-segment assets/ liabilities		Total	
(CHF '000)	2018	2017	2018	2017	2018	2017	2018	2017
Segment assets [2]	1 708 724	1 643 626	155 731	153 449	293 162	302 924	2 157 617	2 099 999
Segment liabilities [3]	486 740	515 673	19 687	20 438	6 528	13 478	512 955	549 589
Investments	54 033	43 243	6 137	6 027			60 170	49 270

Segment information by geographical region

	Total net sales revenue (customers)		Total net sales revenue (production)		Segment assets [2]	
(CHF '000)	2018	2017	2018	2017	2018	2017
Europe	1 290 018	1 173 419	1 704 593	1 557 970	1 460 074	1 391 850
thereof Switzerland	*78 992*	*68 546*	*1 108 632*	*1 009 674*	*1 234 227*	*1 244 091*
thereof Germany	*520 282*	*465 242*	*285 723*	*255 461*	*78 040*	*85 687*
Asia	610 940	586 438	343 153	324 577	282 340	299 100
thereof China	*327 401*	*312 549*	*181 663*	*165 684*	*167 357*	*182 237*
NAFTA	392 930	372 256	270 508	263 273	112 416	97 878
thereof USA	*260 485*	*245 763*	*206 355*	*198 892*	*91 727*	*80 340*
Others	24 366	13 707	0	0	9 624	8 247
Non-segment assets					293 162	302 924
Total	2 318 254	2 145 820	2 318 254	2 145 820	2 157 617	2 099 999

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

Most important customers

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

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

Consolidated Income Statement

Notes		2018 (CHF '000)	2017 (CHF '000)
1	Capitalized costs and other operating income		
	Capitalized costs	13 001	13 029
	Other operating income	18 328	17 720
	Total capitalized costs and other operating income	31 329	30 749
2	Personnel expenses		
	Wages and salaries	186 855	175 887
	Subcontractor salaries	12 671	13 254
	Expenses for defined benefit plans (see note 18)	9 198	3 008
	Legal/contractual social insurance	27 503	24 989
	Other personnel expenses	7 500	7 448
	Total personnel expenses	243 727	224 586
3	Other operating expenses		
	Rents	6 332	5 461
	Leasing	3 636	3 594
	Repairs and maintenance	30 510	27 780
	Insurance, duties, fees	7 079	7 062
	Energy	36 861	33 285
	Administration, promotion	30 197	29 627
	Losses on disposal of property, plant and equipment, net	1 914	1 053
	Supplies	6 697	6 069
	Other operating expenses	6 053	6 044
	Total other operating expenses	129 279	119 975
4	Research and development		
	Expenditures for research and development amount to	53 792	49 693
	In percent of net sales revenue	2.3%	2.3%
5	Financial income		
	Other interest income	396	611
	Interest income on loans and receivables	2	1
	Total interest income	398	612
	Foreign exchange gains, net	0	1 760
	Total financial income	398	2 372

Notes		2018 (CHF '000)	2017 (CHF '000)
6	**Financial expenses**		
	Interest expenses	843	844
	Interest on Sales contracts	0	0
	Foreign exchange losses, net	1 003	0
	Bank charges and commissions	576	643
	Total financial expenses	2 422	1 487
7	**Income taxes**		
	Current income taxes actual year	92 018	103 026
	Current income taxes previous years	7 683	165
	Deferred income taxes	(3 890)	(4 724)
	Total income taxes	95 811	98 467

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

	2018 Amount before taxes	2018 Taxes	2018 Amount after taxes	2017 Amount before taxes	2017 Taxes	2017 Amount after taxes
Acturial gains from defined benefit pension plans	6 310	(1 073)	5 237	18 547	(3 153)	15 394
Cash flow hedges	31 623	(2 476)	29 147	(14 867)	1 164	(13 703)
Currency translation differences	(21 954)	0	(21 954)	29 996	0	29 996
Comprehensive income	15 979	(3 549)	12 430	33 676	(1 989)	31 687
Treasury shares	0	0	0	1 516	(119)	1 397

Breakdown of the income tax expenses

	2018	2017
Net income before income taxes	618 134	582 867
Expected income tax rate	16.8 %	17.6 %
Expected income taxes	104 138	102 430
Utilisation of previously unrecognized tax losses	(492)	(421)
Losses for the current year for which no deferred tax asset was recognized	170	2
Tax exemption	(10 102)	(9 405)
Expenses not being deductible for tax purposes	207	794
Taxes from previous years	7 683	165
Impact of changed deferred income tax rates	(7 560)	(481)
Other	1 768	5 383
Effective income taxes	95 812	98 467
Effective income tax rate	15.5 %	16.9 %

Notes	2018 (CHF '000)		2017 (CHF '000)	

Deferred income taxes:
Change in recognized assets/liabilities

	2018 Deferred income tax assets	2018 Deferred income tax liabilities	2017 Deferred income tax assets	2017 Deferred income tax liabilities
At 1.1.	18 192	89 231	25 539	97 228
Increase/Decrease via income statement	(2 312)	(6 202)	(6 143)	(10 867)
Increase/Decrease via other comprehensive income/Equity	(1 073)	2 476	(1 272)	836
Translation differences	32	(2 811)	68	2 034
At 31.12.	14 839	82 694	18 192	89 231

Note to the deferred income tax

	2018		2017	
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	0	66 517	0	76 820
Deferred income taxes on current assets	0	11 407	0	4 790
Deferred income taxes on liabilities	0	4 770	0	7 621
Deferred income taxes on pension liabilities	5 082	0	5 317	0
Deferred income taxes on provisions and accruals	9 757	0	12 875	0
Total deferred income tax liabilities	14 839	82 694	18 192	89 231

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

As at December 31, 2018, temporary differences of KCHF 17 250 (2017: KCHF 16 868) 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

	2018 Tax loss carryforwards	2018 Tax effect	2017 Tax loss carryforwards	2017 Tax effect
Total tax loss carryforwards for which no deferred income taxes were recognized	25 114	5 311	24 538	6 053
Of which to be carried forward for up to:				
1 year	5 751	887	5 784	1 446
2 years	2 177	582	2 404	742
3 years	352	120	409	139
4 years	5 065	1 722	5 887	2 002
5 years	0	0	0	0
More than 5 years	11 769	2 001	10 054	1 724

Notes

8 Intangible assets, property, plant and equipment, investments

I. Intangible assets

(CHF '000)	Goodwill	Customer and supplier relationships	Others	Total
At 1.1.2017	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
2018				
At 1.1.	50 538	17 314	4 726	72 578
Additions	0	0	358	358
Disposals	0	0	(27)	(27)
Amortization	0	(7 470)	(1 134)	(8 604)
Reclassifications	0	0	273	273
Translation differences	57	(455)	(96)	(494)
At 31.12.	50 595	9 389	4 100	64 084
Cost	50 595	50 943	29 852	131 390
Accumulated amortization and impairment	0	(41 554)	(25 752)	(67 306)
Net book value	50 595	9 389	4 100	64 084

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 50 595 (2017: KCHF 50 538)) 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% (2017: 2%).
– The discount rate before taxes is 9% (2017: 7%).

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 1.1.2017	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	5 744
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
2018						
At 1.1.	22 465	148 738	314 324	19 882	35 835	541 244
Additions	4	1 021	4 468	3 191	51 128	59 812
Disposals	(69)	(456)	(3 079)	(921)	(13)	(4 538)
Depreciation	(100)	(5 748)	(32 908)	(5 820)	(1)	(44 577)
Impairment	0	0	0	0	0	0
Reclassifications	0	6 436	28 838	4 152	(38 175)	1 251
Translation differences	(519)	(2 748)	(1 587)	(508)	(152)	(5 514)
At 31.12.	21 781	147 243	310 056	19 976	48 622	547 678
Cost	24 191	351 838	1 050 405	67 252	48 623	1 542 309
Accumulated depreciation and impairment	(2 410)	(204 595)	(740 349)	(47 276)	(1)	(994 631)
Net book value	21 781	147 243	310 056	19 976	48 622	547 678

Notes		2018 (CHF '000)	2017 (CHF '000)
9	Other non-current assets		
	Other non-current assets	404	778
	Assets from employee benefits (see note 19)	5977	6119
	Total other non-current assets	6381	6897
	Other non-current assets mainly comprise loans to third parties.		
10	Inventories		
	Raw materials and supplies	207929	169408
	Semi-finished goods, work in progress	9890	11356
	Finished products	240622	216991
	Value adjustments	(14483)	(8660)
	Total inventories	443958	389095
11	Trade receivables		
	Trade receivables from third parties	348377	339996
	Allowances for doubtful receivables	(7220)	(7568)
	Total trade receivables	341157	332428

Allowances for doubtful receivables are determined on the basis of future expected credit losses and calculated using a provision matrix. It is based on forward looking assumptions and historically observed default rates.

Due dates of trade receivables and allowance matrix.

		2018		2017	
	Default rate in %	Gross value	Allowance	Gross value	Allowance
Not due	1%	295807	(2916)	311994	
Overdue <30 days	4%	46700	(1868)	20960	
Overdue 30 to 60 days	6%	1843	(111)	2773	
Overdue 60 to 90 days	20%	987	(197)	1088	
Overdue >90 days	70%	3040	(2128)	3181	
Total		348377	(7220)	339'996	(7568)

Notes		2018 (CHF '000)	2017 (CHF '000)

Change in allowances of trade receivables

	2018		2017	
At 1.1.		7568		7023
Increase in allowances		1924		4331
Decrease in allowances		(1993)		(4240)
Losses on trade receivables	(116)		(1277)	
Reclassifications	(1877)		(2963)	
Translation differences		(279)		454
At 31.12.		7220		7568

12 Other current assets

	2018	2017
Withholdingtax receivables	369765	368888
Prepayments and accrued income	12202	12700
Contract assets*	15568	15392
Other receivables	34822	29970
Total other current assets	432357	426950

* see Consolidated accounting principles regarding the restated presentation

There is no allowance on Contract assets calculated because the expected default rate is 0%.

13 Other current financial instruments*

	2018	2017
Derivative financial instruments	5538	2182
Other current financial assets	1343	31374
Total Other current financial assets	6881	33556

* see Consolidated accounting principles regarding the restated presentation

Notes				2018 (CHF '000)	2017 (CHF '000)
14	Derivative financial instruments				
	The following summary shows the most important derivative financial instruments:				
	Financial instruments effective for hedge accounting purposes				
	Currency swaps and forward rate agreements	EUR/CHF	Notional amount CHF	380 331	514 670
			Positive replacement value CHF	11 174	170
			Negative replacement value CHF	315	22 371
		JPY/CHF	Notional amount CHF	8 740	21 235
			Positive replacement value CHF	86	1 282
			Negative replacement value CHF	0	23
		USD/CHF	Notional amount CHF	209 924	48 561
			Positive replacement value CHF	49	315
			Negative replacement value CHF	602	0
		CNY/CHF	Notional amount CHF	24 330	41 986
			Positive replacement value CHF	592	0
			Negative replacement value CHF	0	844
		GBP/CHF	Notional amount CHF	3 874	7 814
			Positive replacement value CHF	30	173
			Negative replacement value CHF	15	37
		USD/EUR	Notional amount CHF	0	306
			Positive replacement value CHF	0	25
			Negative replacement value CHF	0	0
		EUR/CZK	Notional amount CHF	21 346	34 641
			Positive replacement value CHF	111	756
			Negative replacement value CHF	40	0
	Total		Notional amount CHF	648 544	669 213
			Positive replacement value CHF	12 043	2 721
			Negative replacement value CHF	972	23 275
	Thereof:				
	Current portion		Notional amount CHF (<12 months)	489 515	413 125
			Positive replacement value CHF (<12 months)	5 538	2 182
			Negative replacement value CHF (<12 months)	972	20 639
	Non-current portion		Notional amount CHF (1–5 years)	159 030	256 088
			Positive replacement value CHF (1–5 years)	6 505	539
			Negative replacement value CHF (1–5 years)	0	2 636

The EMS Group uses a combination of derivative financial instruments and forward exchange transactions to hedge to foreign exchange risk. Derivative financial instruments were closed mostly for hedge purposes. Forwards are settled to hedge cash flows resulting of expected future sales in EUR, USD and CNY and expected future purchases in JPY. These transactions are highly realistic and contain approximately 65% of the total expected sales in EUR, approx. 95% of the sales in USD, approx. 75% of the sales in CNY and approx. 55% of the expected purchases in JPY. The total amount of forwards varies with the amount of sales and purchases in foreign currencies as well as with the deviation of exchange rates.

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.

Notes		2018 (CHF '000)	2017 (CHF '000)
	Net changes from cash flow hedges in equity, after taxes		
	At 1.1.	(18 945)	(5 242)
	Transfer to consolidated income statement	(711)	782
	Fair value adjustments	32 334	(15 649)
	Income taxes recognized directly in equity	(2 476)	1 164
	Total net changes from cash flow hedges in equity, after taxes	29 147	(13 703)
	At 31.12.	10 202	(18 945)
15	Cash and cash equivalents		
	Deposits	285 718	271 024
	Cash and cash equivalents	1 215	526
	Total cash and cash equivalents	286 933	271 550

16 Share capital

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 31.12.2016	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
Purchase of treasury shares		–	0	0	–
Sale of treasury shares		–	0	0	–
At 31.12.2018	CHF 0.01	23 389 028	0	23 389 028	234

17 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:

	2018	2017
At 1.1.	25 452	22 832
Dividends paid	(7 804)	(783)
Net income	2 708	2 887
Translation differences	(770)	516
At 31.12.	19 586	25 452

Notes		2018 (CHF '000)	2017 (CHF '000)
18	Bank loans		
	The non-current bank loans are composed as follows:		
	JPY: Average interest rate: 1.11% (2017: 1.26%)	45	43
	Total non-current bank loans	45	43
	The carrying amounts of non-current bank loans in JPY correspond to their fair values, as the interest rates are variable.		
	At 1.1.	43	2 666
	Refund long-term bank loans	0	(2 622)
	Borrowing long-term bank loans	0	0
	Translation differences	2	(1)
	At 31.12.	45	43
	The current bank loans are composed as follows:		
	JPY: Average interest rate: 0.31% (2017: 0.28%)	5 447	11 705
	CNY: Average interest rate: variable	0	782
	Total current bank loans	5 447	12 487
	At 1.1.	12 487	9 357
	Refund short-term bank loans	(7 198)	(1 165)
	Borrowing short-term bank loans	0	4 370
	Translation differences	158	(75)
	At 31.12.	5 447	12 487

19 Employee benefit liabilitiy

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 Dependants 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 2018, the minimum interest rate was 1.00% (2017: 1.00%).

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.

Beginning January 1, 2018, the conversion rate was 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 2018	Pension plans CH	Other post-employment benefit plans	Total 2017
Funded plans						
– Fair value of plan assets	321 289	5 977	327 266	338 681	6 119	344 800
– Defined benefit obligation	(351 181)	(7 221)	(358 402)	(369 955)	(6 657)	(376 612)
Over/(under) funding	**(29 892)**	**(1 244)**	**(31 136)**	**(31 274)**	**(538)**	**(31 812)**
Unfunded plans						
– defined benefit obligation	0	(865)	(865)	0	(1 078)	(1 078)
Net recognized asset/(liability)	**(29 892)**	**(2 109)**	**(32 001)**	**(31 274)**	**(1 616)**	**(32 890)**
Jubilees	0	(5 158)	(5 158)	0	(5 299)	(5 299)
Provision for termination pay	0	0	0	0	(1 096)	(1 096)
(Net liability)/asset	**(29 892)**	**(7 267)**	**(37 159)**	**(31 274)**	**(8 011)**	**(39 285)**
Reported in balance sheet						
– Other non-current assets (see note 9)			5 977			6 119
– Employee benefit liability			(43 136)			(45 404)
Net recognized asset/(liability)			**(37 159)**			**(39 285)**

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

Movement in net defined benefit (asset)/liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2018	2017	2018	2017	2018	2017
Balance at 1.1.	369 955	384 766	(338 681)	(336 990)	384 766	31 274
Included in profit or loss						
Current service cost	8 994	9 416	0	0	8 994	9 416
Past service cost	0	(6 695)	0	0	0	(6 695)
Interest cost (income)	2 405	2 309	(2 201)	(2 022)	203	287
Total	**11 399**	**5 030**	**(2 201)**	**(2 022)**	**9 198**	**3 008**
Included in OCI						
Remeasurements loss (gain):						
– Actuarial loss (gain) arising from:						
– demographic assumptions	0	0	0	0	0	0
– financial assumptions	(6 789)	(2 411)	0	0	(6 789)	(2 411)
– experience adjustment	(88)	3 610	0	0	(88)	3 610
excluding interest income	0	0	567	(19 746)	567	(19 746)
Total	**(6 877)**	**1 199**	**567**	**(19 746)**	**(6 310)**	**(18 547)**
Other						
Employers' contributions	0	0	(4 271)	(963)	(4 271)	(963)
Employees' contributions	6 336	6 219	(6 336)	(6 219)	0	0
Vested benefits paid in/(paid out), net	(29 632)	(27 259)	29 632	27 259	0	0
Total	**(23 296)**	**(21 040)**	**19 025**	**20 077**	**(4 271)**	**(963)**
Balance at 31.12.	**351 181**	**369 955**	**(321 289)**	**(338 681)**	**(29 892)**	**(31 274)**

EMS expects to pay MCHF 7.98 into defined benefit plans in 2019.

	2018 (CHF '000)	2017 (CHF '000)
Plan assets		
Liquidity	117 270	142 246
Bonds CHF*	41 768	40 642
Bonds EUR*	0	0
Swiss shares*	19 277	23 708
Shares abroad*	25 703	13 547
Property	97 993	94 831
Mortgages, loans	6 426	6 774
Other investments	12 852	16 934
Total	321 289	338 681

*Plan assets with market prices.

Notes	2018 (CHF '000)	2017 (CHF '000)
Actuarial assumptions as of 31.12.		
Discount rate	0.80%	0.65 %
Future salary growth	1.00%	1.00%
Mortality table	BVG 2015 GT	BVG 2015 GT

Sensitivity analysis

The following sensitivity analysis shows the impact of a reasonable possible change in the principal actuarial assumptions on defined benefit obligations at the reporting date.

	2018 (CHF '000)	2017 (CHF '000)
Discount rate +0.5%	(22 352)	(23 962)
Discount rate −0.5%	25 200	27 040
Future salary growth +0.5%	1 040	1 122
Future salary growth −0.5%	(1 075)	(1 145)
Life expectance +1 year	10 322	11 082
Life expectance −1 year	(10 670)	(11 441)

At 31 December 2018, the weighted average duration of the defined benefit obligation was 13.5 years (2017: 13.8 years).

20 Provisions

(CHF '000)	Provisions for environmental risks	Provisions for litigation risks	Other provisions	Total
At 31.12. 2017	16 261	3 127	2 857	22 245
Increase via income statement	0	990	245	1 235
Decrease via income statement	0	0	(290)	(290)
Amounts used	0	0	(387)	(387)
Reclassifications	162	346	100	608
Translation differences	(3)	(36)	(45)	(84)
At 31.12. 2018	16 420	4 427	2 480	23 327
Of which: Current portion of provisions	0	965	468	1 433
Non-current portion of provisions	16 420	3 462	2 012	21 894

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.

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, 2018.

Notes		2018 (CHF '000)	2017 (CHF '000)
21	Other current liabilities		
	Contract liabilities *	7696	6107
	Prepaid expenses and deferred income	84493	97064
	Liabilities to social security institutions	1834	2433
	Other current liabilities	54197	50471
	Total other current liabilities	148220	156075

* see Consolidated accounting principles regarding the restated presentation
In 2018 sales of CHF 6 million are booked out of contract liabilities (2017: CHF 3 million).

Notes		2018 (CHF '000)	2017 (CHF '000)
22	Liabilities, net/(net cash position)		
	Bank loans (see note 18)	5491	12530
	Hedges with a negative replacement value (see note 14)	972	23275
	Liabilities	6463	35805
	less		
	Other short-term financial assets (see note 13)	(1343)	(31374)
	Hedges with a positive replacement value (see note 14)	(12043)	(2721)
	Interest-bearing financial assets	(370170)	(369667)
	Cash and cash equivalents (see note 15)	(286933)	(271550)
	Liabilities, net/(net cash position)	(664026)	(639507)

Consolidated Statement of Cash flows and further details

Notes		2018 (CHF '000)	2017 (CHF '000)
23	Depreciation, amortization and impairment of intangible assets and property, plant and equipment		
	Amortization intangible assets	8604	8070
	Depreciation property, plant and equipment	44577	44924
	Total depreciation, amortization and impairment of intangible assets and property, plant and equipment	53181	52994
	For the breakdown of the depreciation, amortization and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting.		
24	Contingent liabilities		
	Contingent liabilities at the end of the year amount to	27873	22191
	This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20).		
25	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	23389028	23387951
	Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	519615	481513
	Basic earnings per share (CHF)	22.22	20.59
	There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		

Notes		2018 (CHF '000)	2017 (CHF '000)
26	Significant shareholders		
	EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2017: 14 224 143 registered shares)		
	Amount of holding	60.82%	60.82%
	Miriam Baumann-Blocher, 2 100 000 registered shares (2017: 2 079 000 registered shares)		
	Amount of holding	8.98%	8.89%

27 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 2018/2019.

Breakdown of the total compensation	2018 (CHF '000)	2017 (CHF '000)
Short-term employee benefits to the members of the Board of Directors and Executive Management	3 900	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	3 900	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		2018 (CHF '000)	2017 (CHF '000)
28	Financial Risk Management		
	Credit risks		
	Overview of financial assets		
	Other non-current financial assets (see note 9)	404	778
	Trade receivables (see note 11)	341 157	332 428
	Derivative financial instruments (see note 14)	12 043	2 721
	Other short-term financial assets (see note 13)	1 343	31 374
	Cash and cash equivalents (see note 15)	286 933	271 550
	Total financial assets	641 880	638 851

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 31.12.2018 (CHF '000)	Carrying amount	Contractual Cash flows	<1 year	Maturity date 1–5 years	>5 years
Non-derivative financial liabilities:					
Current bank loans (see note 18)	5 447	5 464	5 464	0	0
Non-current bank loans (see note 18)	45	48	1	47	0
Trade payables	128 913	128 913	128 913	0	0
Prepaid expenses and deferred income (see note 21)	46 333	46 333	46 333	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	972	648 544	489 515	159 030	0
Total financial liabilities	181 710	829 302	670 226	159 077	0

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
Non-derivative financial liabilities:					
Current bank loans (see note 18)	12 487	12 558	12 558	0	0
Non-current bank loans (see note 18)	43	45	1	44	0
Trade payables	131 769	131 769	131 769	0	0
Prepaid expenses and deferred income (see note 21)	55 539	55 539	55 539	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	23 275	669 213	413 125	256 088	0
Total financial liabilities	223 113	869 124	612 992	256 132	0

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 2.3 million (2017: CHF 2.1 million). A 100 basis point fall in the interest rate for deposits and bank loans would increase net income after taxes by CHF 0.3 million (2017: CHF 0.5 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 31.12.2018 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 11)	2 413	177 437	67 738	16 300	57 053	23 595
Loans to group companies	16 775	149 917	5 091	12 323	0	9 993
Trade payables	(395)	(53 382)	(34 293)	(11 863)	(11 429)	(4 977)
Loans from group companies	0	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	(5 447)	0	0
Non-current bank loans (see note 18)	0	0	0	(45)	0	0
Derivative financial instruments (see note 14)	0	(380 331)	(209 924)	8 740	(24 330)	17 472
Currency exposure, net	18 793	(106 359)	(171 388)	20 008	21 294	46 083

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 18)	0	0	0	(11 705)	(782)	0
Non-current bank loans (see note 18)	0	0	0	(43)	0	0
Derivative financial instruments (see note 14)	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

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 −22.3 million (2017: CHF −20.1 million). Per currency: EUR: CHF −12.4 million (2017: CHF −10.0 million), USD: CHF −3.3 million (2017: CHF −4.2 million), JPY: CHF +0.1 million (2017: CHF +0.5 million), CNY: CHF –4.6 million. (2017: CHF –5.1 million), other currencies: CHF −1.9 million (2017: CHF − 1.3 million).

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF +31.8 million (2017: CHF +35.2 million decrease/(increase). Per currency: EUR: CHF +12.6 million (2017: CHF +32.8 million), USD: CHF +19.4 million (2017: CHF +4.2 million), JPY: CHF −1.9 million (2017: CHF −2.9 million), CNY: CHF +1.7 million. (2017: CHF +2.0 million),other currencies: CHF +0.0 million (2017: CHF −0.9 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 31.12.2018 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 14)		12 043		12 043
Financial liabilities:				
Derivative financial instruments (see note 14)		(972)		(972)

At 31.12.2017 (CHF '000)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments (see note 14)		2 721		2 721
Financial liabilities:				
Derivative financial instruments (see note 14)		(23 275)		(23 275)

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 18.

Notes	2018 (CHF '000)	2017 (CHF '000)
Cash and cash equivalents (see note 15)	286933	271550
Other short-term financial assets (see note 12)	1343	31374
Other non-current assets (see note 9)	404	778
Trade receivables (see note 11)	341157	332428
Loans and receivables	342904	364580
Derivative financial instruments (assets; see note 13)	12043	2721
Non-current bank loans (see note 18)	45	43
Current bank loans (see note 18)	5447	12487
Trade payables	128913	131769
Prepaid expenses and deferred income (see note 21)	46333	55539
Financial liabilities measured at amortized cost	180738	199838
Derivative financial instruments (liabilities; see note 14)	972	23275

29 Leasing

Leasing contracts where the lease transfers substantially all the risks and rewards incidental to ownership are treated as finance lease. All other leasing contracts were considered "operating leases".
Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Minimum lease payments	2018 (CHF '000)	2017 (CHF '000)
Less than 1 year	3896	3726
1 to 5 years	10187	11813
thereafter	4841	6824
Total	18924	22363

The lease agreements concern mainly buildings and cars.

30 Change in scope of consolidation

2018
Additions:
EMS-CHEMIE (Suzhou) Trading Ltd.: The company was founded on March 7, 2018.

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

31 Subsequent events

The consolidated financial statements were approved by the Board of Directors on March 18, 2019, and need to be approved by the Annual General Meeting on August 10, 2019.

Between December 31, 2018, and March 18, 2019, there were no subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

Notes

32 List of subsidiaries (at 31.12. 2018)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
BUSINESS AREA HIGH PERFORMANCE POLYMERS		
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-CHEMIE (Suzhou) Trading 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) 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.)
BUSINESS AREA SPECIALTY CHEMICALS		
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

Category: P = Production V = Trade, sale D = Financing, various Consolidation: K = Fully consolidated

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	1951	100.00%	V	K
GBP	1530	100.00%	V	K
JPY	210000	100.00%	V	K
JPY	1500000	66.65%	P, V	K
KRW	113000	100.00%	V	K
EUR	1300	100.00%	V	K
CHF	50	100.00%	D	K
CHF	100	100.00%	P	K
TWD	281000	100.00%	P, V	K
CNY	5000	100.00%	V	K
CNY	98693	100.00%	P, V	K
CNY	3000	100.00%	V	K
USD	750	100.00%	D	K
USD	3385	100.00%	P, V	K
USD	38222	100.00%	P, V	K
CHF	8000	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	2500	100.00%	P, V	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P, V	K
RUB	37514	100.00%	P, V	K
RUB	37200	100.00%	P, V	K
MXN	50	100.00%	V	K
MXN	19451	100.00%	D	K
MXN	47409	100.00%	P	K
MXN	550	100.00%	D	K
EUR	25	100.00%	P, V	K
EUR	2556	100.00%	P	K
EUR	25000	100.00%	V	K
CZK	47569	100.00%	P, V	K
EUR	10	100.00%	V	K
EUR	7	100.00%	V	K
RON	8083	100.00%	P, V	K
UAH	23	100.00%	V	K
GBP	352	100.00%	P, V	K
EUR	1240	100.00%	P, V	K
EUR	944	100.00%	P, V	K
USD	3518	100.00%	D, V	K
THB	49500	100.00%	P, V	K
INR	15000	100.00%	P, V	K
USD	33206	75.00%	D	K
CNY	6849	100.00%	P, V	K
CNY	20750	100.00%	P, V	K
CNY	27500	100.00%	P, V	K
CNY	6650	60.00%	P, V	K
CNY	952	100.00%	D	K
CNY	80110	100.00%	P, V	K
EUR	25	100.00%	D	K
EUR	3000	100.00%	P	K
EUR	25	100.00%	D	K
CZK	30000	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 2018 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 20 to 55) give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 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.

Taxation

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 taxation 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 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 due to their significance to the financial statements as a whole, combined with the judgement and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.

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 examinated 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.

Our audit procedures did not lead to any reservations concerning the valuation of current and deferred tax balances and provisions.

Other information in the Finance 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 2014–2018) of the Annual 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, March 18, 2019

Financial Statements
EMS-CHEMIE HOLDING AG

for the financial year May 1, 2018 – April 30, 2019

EMS-CHEMIE HOLDING AG
Domat/Ems Switzerland

Income Statement May 1, 2018 to April 30, 2019

	Notes	2018/2019 (CHF '000)	2017/2018 (CHF '000)
INCOME			
Dividends from subsidiaries		403 764	429 084
License fees from subsidiaries and third parties	2.1	84 882	79 446
Other financial income	2.2	16 001	14 505
Other operating income		42	2 415
Extraordinary income	2.3	0	9 500
Total income		504 689	534 950

EXPENSES			
Financial expenses	2.4	5 871	60 023
Other operating expenses	2.5	15 647	14 532
Direct taxes		6 316	2 363
Total expenses		27 834	76 918
Net income		476 855	458 032

Balance Sheet as at April 30, 2019

	Notes	30.4.2019 (CHF '000)	30.4.2018 (CHF '000)
Non-current assets		316 768	323 344
Investments in subsidiaries	2.6	280 352	280 352
Non-current financial assets	2.7	36 416	42 992
Current assets		626 259	549 126
Prepaid expenses and accrued income		28 970	26 712
Current financial assets	2.7	10 108	30 008
Other current receivables	2.8	447 159	445 652
Cash and cash equivalents		140 022	46 754
TOTAL ASSETS		943 027	872 470

Equity		770 364	726 206
Share capital	2.9	234	234
Legal retained earnings			
General legal reserve		47	47
Free reserves		10 000	10 000
Available earnings	2.10	760 083	715 925
Liabilities		172 663	146 264
Long-term liabilities		3 074	3 074
Provisions	2.3	3 074	3 074
Short-term liabilities		169 589	143 190
Accrued expenses and deferred income	2.11	14 796	39 815
Other short-term liabilities	2.12	154 793	103 375
TOTAL EQUITY AND LIABILITIES		943 027	872 470
Balance sheet equity ratio		81.7 %	83.2 %

Notes to the Financial Statements 2018/2019

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 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.

1.5 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		2018/2019 (CHF '000)	2017/2018 (CHF '000)
2.1	License fees from subsidiaries and third parties		
	License fees from third parties	125	0
	License fees from subsidiaries	84 757	79 446
	Total other financial income	84 882	79 446
2.2	Other financial income		
	Interest income	358	403
	Foreign exchange gains	15 643	12 586
	Result from Treasury shares	0	1 516
	Total other financial income	16 001	14 505
2.3	Extraordinary income		
	Release of unused provisions	0	9 500
	Total extraordinary income	0	9 500
2.4	Financial expenses		
	Interest expenses	1 465	1 481
	Bank charges, duties, fees	107	114
	Foreign withholding taxes	3 540	3 725
	Foreign exchange losses	759	54 703
	Total financial expenses	5 871	60 023

Notes		2018/2019 (CHF '000)	2017/2018 (CHF '000)
2.5	Other operating expenses		
	Fee for contract research	14645	13538
	Administration	1002	994
	Total other operating expenses	15647	14532

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.

2.6 Investments in subsidiaries
Details of the investments can be seen in note 32, "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, 2019 to April 30, 2019.

		30.04.2019	30.04.2018
2.7	Financial assets		
	Deposits with Banks	10108	30008
	Loans and investments to subsidiaries	19850	26153
	Loans to other group companies	16566	16839
	Total financial assets	46524	73000
	Thereof current	10108	30008
	Thereof non-current	36416	42992
2.8	Other current receivables		
	Receivables from third parties	443980	433437
	Receivables from subsidiaries	3179	12215
	Total other current receivables	447159	445652

Receivables from third parties consist of withholding tax credits. Receivables from subsidiaries include in particular short-term loans.

		30.04.2019	30.04.2018
2.9	Share capital		
	The EMS-CHEMIE Holding has the following significant shareholders:		
	EMESTA HOLDING AG, Zug, 14224143 registered shares (2017/2018: 14224143 registered shares)		
	Amount of holding	60.82%	60.82%
	Miriam Baumann-Blocher, 2100000 registered shares (2017/2018: 2079000 registered shares)		
	Amount of holding	8.98%	8.89%

No other representation of significant shareholders is known to the Board of Directors.

Notes		2018/2019 (CHF '000)	2017/2018 (CHF '000)
2.10	Available earnings		
	At 1. 5.	715925	655506
	Dividends paid	(432697)	(397613)
	Net income	476855	458032
	At 30. 4.	760083	715925
2.11	Accrued expenses and deferred income The item includes accruals for losses on open forward exchange contracts, research expenses and third party services.		
		30.04.2019	30.04.2018
2.12	Other short-term liabilities		
	Other liabilities due to third parties	4004	1731
	Other liabilities due to subsidiaries	150789	101644
	Total other short-term liabilities	154793	103375
	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

		2018/2019 (CHF '000)	2017/2018 (CHF '000)
3.1	Contingent liabilities		
	Guarantees (maximum liability)	48186	56443

3.2 Full-time equivalents

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

Notes	30.04.2019 (CHF '000)	30.04.2018 (CHF '000)

3.3 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
C. Mäder	Member (since 11.8.2018)	200	–
Total Board of Directors		3 800	3 600
Executive Management	**Function**		
M. Martullo	CEO	0*	0*
P. Germann	Member	0	0
S. Baumgärtner	CFO	0	0
Dr U. Zimmerli	Member (since 1.8.2018)	0	–
D. Radanovic	Member (from 9.2.2018 to 8.2.2019)	–	0
Total Executive Management		0	0

* Excluding EMESTA-HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 2.9).

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.

Proposed appropriation of available earnings

	2018/2019 (CHF)	2017/2018 (CHF)
Balance brought forward	283 227 648	257 892 624
Net income	476 855 239	458 032 042
Total available earnings	760 082 887	715 924 666
The Board of Directors proposes the following appropriation of available earnings:		
Payment of an ordinary dividend of CHF 15.50 (previous year CHF 14.50) gross and	(362 529 934)	(339 140 906)
an extraordinary dividend of CHF 4.25 (previous year CHF 4.00) gross per registered share entitled to dividend	(99 403 369)	(93 556 112)
Balance to be carried forward	298 149 584	283 227 648

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 2019.

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 2019 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.

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	Gianantonio Zanetti
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Zurich, 27 June 2019