



## **52<sup>th</sup> ANNUAL REPORT 2014/2015**

**EMS**

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland



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## EMS Group

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## *Dear Shareholders*

Last year turned out to be exciting and successful for EMS. We expected a continuing favourable global economy. This was backed in the major industrial countries by expansive financial policies and low interest rates. The successful realisation of strategically important, innovative new business with simultaneous strict cost discipline had a favourable influence on the course of business for EMS.

While the global economy showed slight growth, individual sales markets developed in a heterogeneous way. Crisis-shaken Europe recovered slightly in the first half-year. Geopolitical conflicts and the renewed awareness of debt problems however, affected consumer confidence worldwide in the second half year. Global economic growth slowed.

Due to consistent focus on growth with high-margin specialty products – particularly in the main area of high-performance polymers – as well as strict cost discipline, EMS was able to show a significant increase in both net sales and result. With net sales of CHF 1,972 million and net operating

income (EBIT) of CHF 423 million, new record levels were achieved once again.

Our strategy in the global automotive industry was especially successful; numerous new and technically challenging structural components were realised with high-performance polymers. The Business Unit EMS-EFTEC was able to further strengthen its leading position as global automotive supplier with innovative process materials. The complete takeover of the previous joint venture «Grupo Placosa EFTEC S.A.» in Mexico further strengthened EMS' already very strong global presence as partner to the automotive industry.

In order to satisfy customer requirements for innovative solutions in the Chinese market even better, three application-specific innovation and development centres were established in China.

Excellent performance in the field of innovative technology, rapid reaction times and permanent exchange of innovation pays off not only for EMS, but also for our customers. Customer appreciation of our performance as development partner was

illustrated again in 2014 with a range of prestigious awards: General Motors, one of the largest automotive manufacturers in the world, named EMS «Global Supplier of the Year» for the 5<sup>th</sup> consecutive year. EMS remains the only resin manufacturer to date to have received this award. The Norma Group, an internationally active German automotive supplier, awarded EMS the exclusive and especially conceived «Global Supplier Recognition Award 2014» in recognition of the special reliability and quality of EMS products.

EMS employees start young: In order to inspire young people to take up careers in technical professions, to promote their independence and generate interest in the links between natural sciences and practical economics, EMS builds on worldwide cooperation industry and educational institutions. With a programme of diversified activities, EMS introduces the MINT subjects (mathematics, informatics, natural sciences, technology) to youngsters and provides them with new, exciting and easy to understand experiences. Last year, 370 school children took part in a total of 31 holiday courses organised by EMS.

For the business year 2015 we are confident and expect continuing positive economic development in China and the NAFTA region. Globally, the economy may show lower growth rates and less stable development due to a risk of bubbles forming in the financial and currency markets. Geopolitical conflicts are primarily hampering growth in Europe which would otherwise profit from a weak Euro. The dominance of politics and its fundamental intervention in monetary and real

economic systems however, entails risks with effects difficult to foresee. In this context the overvaluation of the Swiss Franc, apparent since the discontinuation of the minimum exchange rate Swiss Franc / Euro, is likely to continue and to become even stronger temporarily.

EMS has well-proven capabilities of reacting quickly to new conditions as well as great innovation strength. Due to efficiency programmes launched during the previous year, EMS will overcome these challenges in a rewarding way.

The success of EMS is due primarily to our employees and executive managers who make use of their skills and many years' experience combined with great dedication to the job to the advantage of our customers and our shareholders. They have earned a very special and sincere thank you.

We also thank you, our shareholders, for your faith in our company. Your loyalty provides us with a solid basis where we can create new things, implement ideas, make use of our strengths and invest in opportunities. We look forward to successfully shaping the present and the future together.



Dr Ulf Berg  
Chairman of the  
Board of Directors



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

## Share Performance

	2014	2013	2012	2011	2010
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	23 352 828	23 389 028	23 389 028	23 386 528
Treasury shares	0	36 200	0	0	2 500
Information per share (in CHF):					
Dividend per share	12.00 <sup>1)</sup>	11.00	10.00	7.00	12.50
Of which ordinary dividend	10.00	8.50	7.50	7.00	6.50
Of which extraordinary dividend	2.00	2.50	2.50	–	–
Of which anniversary dividend	–	–	–	–	6.00
Earnings per share	14.66	13.58	11.45	10.14	9.71
Cash flow per share <sup>2)</sup>	17.30	16.21	14.02	12.64	12.50
Equity per share <sup>3)</sup>	53.47	50.68	48.03	44.53	47.16
Stock prices <sup>4)</sup>					
High	413.25	331.50	233.10	175.91	166.00
Low	305.45	218.00	162.90	137.07	117.25
At December 31	403.75	317.00	215.40	159.10	165.80
Market capitalisation on December 31 (CHF millions)	9 443.3	7 414.3	5 038.0	3 721.2	3 877.9

Registered shares are listed on the SIX Swiss Exchange.

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

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

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

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

## Business development

As expected, the economy developed in an overall positive way in 2014. The major Asian and American markets were able to continue their growth. Crisis-shaken Europe recovered slightly in the first half-year but dropped back again in the second half-year.

EMS again successfully realised planned new business. Market positions in all geographical regions were further strengthened and business developed particularly well in the automotive industry.

Net sales in Swiss Francs increased in 2014 by 4.6% to reach CHF 1 972 Mio. (1 885), while in local currencies the increase was 7.8%. Net operating income (EBIT) rose to CHF 423 million (369) which is 14.7% above previous year. The operating cash flow (EBITDA) increased to CHF 478 million (424) and by 12.8% compared to the previous year. The EBIT margin reached 21.5% (19.6%), the EBITDA margin 24.3% (22.5%).

For the business year 2015, EMS is confident and expects continuing positive economic development in China and the NAFTA region. Europe could profit from a weaker Euro, while Switzerland will struggle with a strong Swiss Franc.

A consistent growth strategy with innovative products and solutions as well as numerous efficiency programmes should compensate a currency-caused drop in result in Swiss Francs.

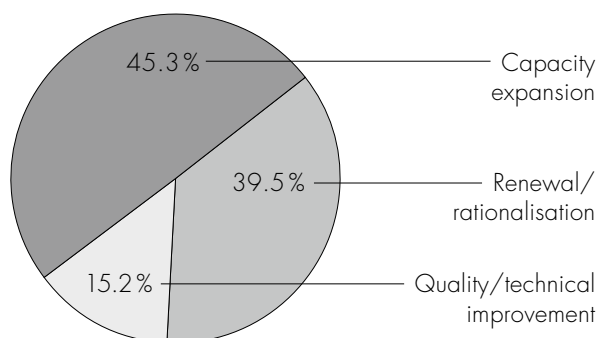
Based on the pleasing sales development, further new locations will be started up in China while at the production site in Domat/Ems (Switzerland) an additional CHF 35 million will be invested in capacity expansion.

Without taking the currency rate changes into account, EMS continues to expect net sales and net operating income (EBIT 2015) above previous year. Net sales in Swiss Francs will close slightly lower than previous year. Due to the above-mentioned measures, net operating income (EBIT) in Swiss Francs will again reach the previous year's figures.

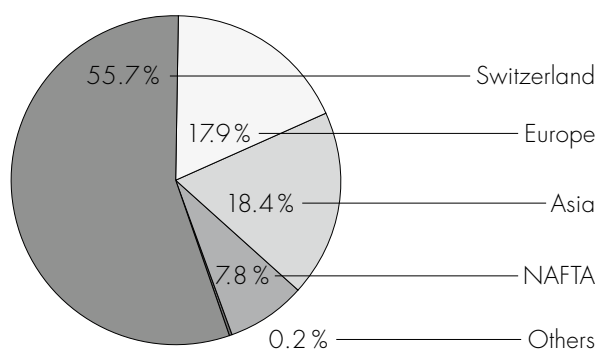
## Investments

Overall investments in 2014 amounted to CHF 52 million (57). The majority of this sum was invested in expanding production capacity.

## Investment by application



## Investment by country and region



## EMS Group production by country

Switzerland	45.2%
Germany	12.0%
USA	10.3%
China	8.4%
Belgium	5.7%
Japan	4.2%
Czech Republic	4.0%
Taiwan	2.3%
Great Britain	1.8%
Spain	1.1%
Russia	1.1%
Mexico	1.0%
Brazil	0.9%
Others	2.0%

## EMS Group net sales by country

Germany	22.9%
China	14.6%
USA	11.8%
Japan	6.4%
France	5.8%
Switzerland	3.9%
Italy	3.4%
Spain	2.3%
Great Britain	2.2%
Poland	2.0%
Czech Republic	2.0%
Mexico	1.9%
South Korea	1.9%
Brazil	1.7%
Russia	1.5%
India	1.4%
Austria	1.4%
Taiwan	1.4%
Kanada	1.3%
Sweden	1.3%
Others	8.9%

## Management structure

At the 2014 Annual General Meeting, Dr Ulf Berg, Magdalena Martullo, Bernhard Merki and Dr Joachim Streu were elected to the Board of Directors for a term of office lasting until the next ordinary Annual General Meeting.

## Personnel

At the end of December 2014, the EMS Group had a total of 2 865 (2 670) employees (excluding apprentices), of whom 1 002 (1 016) work in Switzerland, 816 (796) in the rest of Europe, 669 (629) in Asia and 378 (229) in America. At the end of the year, the EMS Group employed 139 (132) apprentices in Switzerland covering 14 (14) different vocational fields. A total of 38 (34) apprentices successfully completed their professional training during the year under review.

## Business areas

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

### High Performance Polymers

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

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

In the 2014 business year, the core business of High Performance Polymers generated net sales of CHF 1 703 million (1 620) and net operating income (EBIT) of CHF 369 million (320). Pleasing new business was realized with innovative process materials and a wide range of structural components. Particularly positive growth could be seen in the global automotive industry where EMS achieved high-quality, low cost and weight-saving high-performance polymers solutions.

### Specialty Chemicals

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

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

With its production mainly in Switzerland, the secondary business area Specialty Chemicals developed according to plan, but was also affected by weaker foreign currencies. Due to strategically important and profitable new business, an increase in net sales to CHF 269 million (265) could still be achieved.



CHF millions	2014	2013	2012	2011	2010
Net sales revenue	1 971.9	1 885.2	1 755.4	1 657.7	1 595.6
Change in % against previous year	+4.6 %	+7.4 %	+5.9 %	+3.9 %	+33.2 %
Change in local currencies	+7.8 %	+8.7 %	+4.9 %	+15.5 %	+39.6 %
Of which in Switzerland	3.9 %	3.9 %	4.5 %	5.3 %	4.7 %
Net operating income (EBIT)	423.2	368.9	319.7	294.0	281.6
Change in % against previous year	+14.7 %	+15.4 %	+8.7 %	+4.4 %	+27.0 %
In % of net sales revenue	21.5 %	19.6 %	18.2 %	17.7 %	17.6 %
Net financial income	-8.5	16.2	2.6	0.9	-1.5
Income taxes	65.3	61.3	48.6	52.7	48.0
Net income	349.4	323.8	273.7	242.1	232.1
Change in % against previous year	+7.9 %	+18.3 %	+13.0 %	+4.3 %	+4.9 %
In % of net sales revenue	17.7 %	17.2 %	15.6 %	14.6 %	14.5 %
Cash flow <sup>1)</sup>	404.5	378.9	328.0	295.5	290.8
Change in % against previous year	+6.7 %	+15.5 %	+11.0 %	+1.6 %	+4.2 %
In % of net sales revenue	20.5 %	20.1 %	18.7 %	17.8 %	18.2 %
Investments	52.3	57.4	44.2	75.9	49.0
In % of cash flow	12.9 %	15.2 %	13.5 %	25.7 %	16.9 %
Balance sheet total	1 845.6	1 737.9	1 661.0	1 634.3	1 668.9
Assets					
Current assets	1 194.2	1 096.1	1 093.4	1 042.3	1 110.3
Non-current assets	651.4	641.8	567.5	592.0	558.6
Equity and liabilities					
Current liabilities	386.0	415.3	304.2	363.0	391.3
Non-current liabilities	191.5	123.3	218.6	214.8	167.3
Equity <sup>2)</sup>	1 250.2	1 184.9	1 123.4	1 041.4	1 096.8
Balance sheet equity ratio	67.7 %	68.2 %	67.6 %	63.7 %	65.7 %
Return on equity	27.4 %	26.8 %	23.8 %	22.8 %	20.6 %
Number of employees on December 31 <sup>3)</sup>	2 865	2 670	2 371	2 242	2 256

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

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

<sup>3)</sup> Excluding apprentices (2014: 139; 2013: 132; 2012: 132; 2011: 134; 2010: 138).

## Corporate Governance

EMS-CHEMIE HOLDING AG, a holding company by Swiss law, is committed to responsible corporate governance and oversight. The structure and content of this report comply with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance (DCG). Detailed principles and rules are also laid down in the company's Articles of Association at [www.ems-group.com/articlesofassociation](http://www.ems-group.com/articlesofassociation) and in the Organisational Rules of the EMS Group. All data refer to the situation as at December 31, 2014, except where stated otherwise.

### 1. Group structure and shareholders

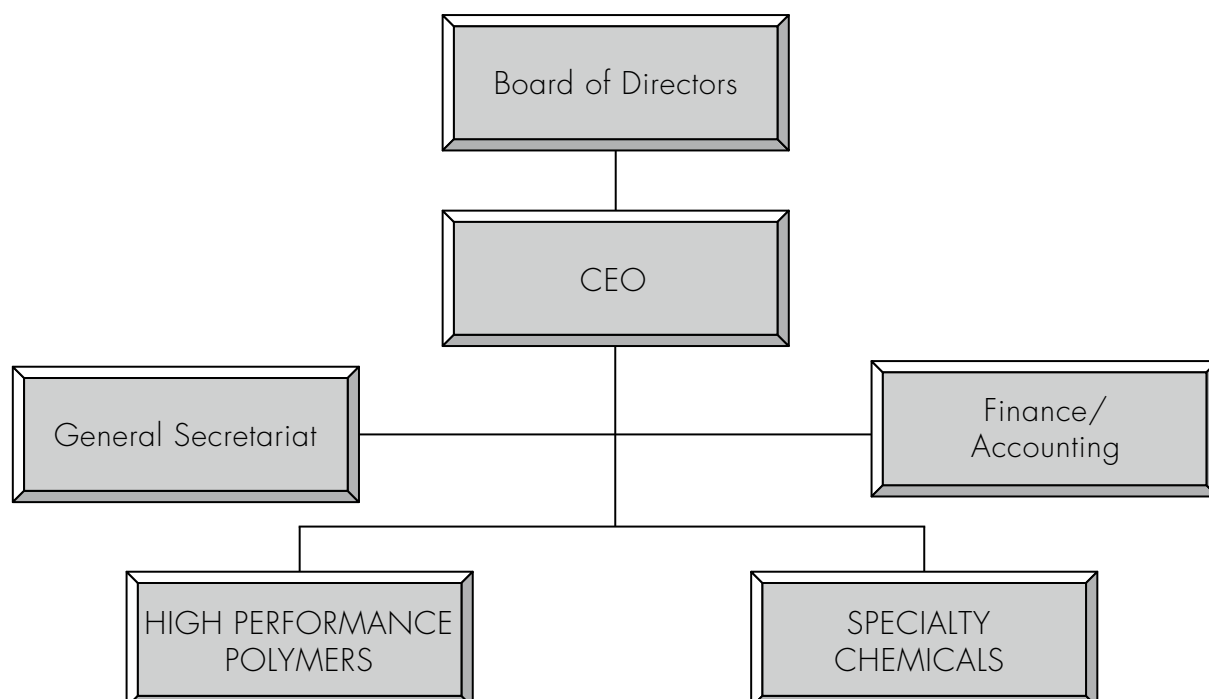
#### 1.1 Group structure

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

The companies of the EMS Group are grouped together in the EMS-CHEMIE HOLDING AG, which has its registered office in Domat/Ems, Switzerland. EMS-CHEMIE HOLDING AG is the only listed company within the scope of consolidation. EMS registered shares (EMSN, ISIN: CH0016440353) are listed on the SIX Swiss Exchange. As at December 31, 2014, the market capitalisation of EMS amounted to CHF 9 443.3 million. Neither the EMS-CHEMIE HOLDING AG nor its subsidiaries hold registered EMS shares.

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

Segment reporting by business area and geographical region can be found on page 32.



### 1.2 Significant shareholders

In the 2014 calendar year, two shareholders held more than 3% of the equity of EMS-CHEMIE HOLDING AG:

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

### 1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

## 2. Capital structure

### 2.1 Capital /

### 2.2 Authorised and conditional capital in particular

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

### 2.3 Changes in capital

Information on capital changes can be found on page 4 (Share Performance), in the financial section on page 21 (Consolidated Statement of Changes in Equity) and in note 16 (Share capital).

### 2.4 Shares and participation certificates/

### 2.5 Profit sharing certificates

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

### 2.6 Limitations on transferability and nominee registrations

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

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

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

### 2.7 Convertible bonds and warrants/options

There are no convertible bonds or warrants/options issued.

### 3. Board of Directors

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

#### 3.2 Other activities and vested interests

#### Board of Directors

Name	Nationality	Status	Year of birth	First elected in	Term of office expires
Dr Ulf Berg	Swiss	Non-executive	1950	August 2007	2015
Magdalena Martullo	Swiss	Executive	1969	August 2001	2015
Dr Joachim Streu	German	Non-executive	1956	August 2013	2015
Bernhard Merki	Swiss	Non-executive	1962	August 2014	2015

On December 31, 2014, the Board of Directors of EMS-CHEMIE HOLDING AG consisted of the following four members:

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

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

EMESTA HOLDING AG, she is today majority shareholder in the EMS-CHEMIE HOLDING AG together with her sister Rahel Blocher. Magdalena Martullo graduated at the Hochschule St. Gallen (HSG) in Business Administration. Before joining the EMS Group she held different positions with Rivella AG and Johnson & Johnson AG as well as various other positions in Switzerland and abroad. Since 2004 she has been a member of the Executive Board of scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she leads the Board Committee on Economic Policy.

**Dr Joachim Streu** (1956, German citizen, Diploma and Ph.D. in organic chemistry) has been non-executive member of the Board of Directors of EMS-CHEMIE HOLDING AG since August 2013. He worked for BASF from 1984 to 2011 where he held many international responsibilities. From 1987 to 1995 he was active in different positions for the BASF subsidiary Elastogran GmbH (thermoplastic polyurethanes and polyurethane systems). From 1995 until 2001 Dr Joachim Streu was Director of BASF Polyurethanes in Brussels. From 1995 until 1998 he was Head of Marketing for the business of polyurethane chemicals worldwide, from 1998 to 2001 Vice President of the Global Business Unit Polyurethane Specialties. From 2001 to 2004 he was Group Vice President of the Global Business Unit Styrene. From 2004 to 2008 he was Head of BASF Management Consulting and from 2008 to 2010 President of the BASF Division Styrenics. Since 2012 Dr Joachim Streu has worked as an independent corporate consultant.

**Bernhard Merki** (1962, Swiss citizen, Dipl. Masch. Ing. HTL) has been non-executive member of the Board of Directors of EMS-CHEMIE HOLDING AG since August 2014. From 1988 to 2013 he held different management positions within the Netstal Group, Näfels, Switzerland; the last ten years as CEO. From 2003 to 2012, Bernhard Merki served as member of the Executive Committee of the Krauss Maffei AG, Germany, and from 2006 until 2012 as Vice President of the Board of Directors of Netstal-Maschinen AG. From 2005 to 2012 he was President of EUROMAP, the European association for plastics and rubber machinery manufacturers. Since 2010, Bernhard Merki is a member of the Board of Directors of RONDO Burgdorf AG and of the Seewer Holding AG, Switzerland, and since 2013 a member of the Board of Directors of Hermann Bühler AG, Switzerland. Since 2008, Bernhard Merki is also

a member of the Board of Governors of the University of Applied Sciences and Technology in Rapperswil, Switzerland. He is CEO of the 4B Fenster AG in Hochdorf, Switzerland, since 2014.

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

### 3.3 Elections and terms of office

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

#### Attendance at meetings of the Board of Directors and committees 2014

Name	Function	Attendance at meetings		
		Board of Directors	Audit Committee	Remuneration Committee
Dr Ulf Berg	Chairman	10 <sup>1)</sup>	7	4
Magdalena Martullo	Vice-Chairman and CEO	10		
Dr Joachim Streu	Member	10	6 <sup>1)</sup>	4
Bernhard Merki	Member *	3		1 <sup>1)</sup>
Urs Fankhauser	Member **	–		– <sup>1)</sup>
Total meetings		10	7	4
Total duration (hours)		1–7	1–3	1–2

<sup>1)</sup> Chairman

\* Since 9.8.2014.

\*\*Passed away 27.2.2014.

### 3.4 Internal organisational structure

#### Duties of the Board of Directors

The Board of Directors is the highest executive body of the EMS Group. It is responsible for supervising and monitoring the company's management and that of its affiliated companies which together form the EMS Group. With the exception of the President and the Members of the Remuneration Committee, who are elected by the Annual General Meeting, the Board of Directors constitutes

itself. The Board of Directors has delegated most of the operational management of the EMS Group to the CEO. Special tasks can be delegated to individual members of the Board of Directors or to separate special committees.

Board committees: Members, tasks, areas of responsibility

There are two committees: the Audit Committee and the Remuneration Committee. Their tasks and responsibilities are set out in guidelines. Both

committees have assessment, advisory and monitoring functions but no decision-making powers.

As of December 31, 2014, the Audit Committee consisted of two non-executive, independent members of the Board of Directors (Dr Joachim Streu, Chairman, Dr Ulf Berg, member). It assesses the effectiveness of external reporting, internal finance and accounting, internal control systems and compliance with accounting principles. The Audit Committee makes recommendations to the entire Board of Directors regarding presentation of individual and consolidated financial statements to the Annual General Meeting. It also assesses the performance and remuneration of the external auditors.

As per December 31, 2014, the Remuneration Committee consisted of three non-executive members of the Board of Directors (Bernhard Merki, Chairman, Dr Joachim Streu, member, Dr Ulf Berg, member). The Remuneration Committee is concerned with the remuneration policy of the EMS Group (Board of Directors, Senior Management, senior executives). It supports the Board of Directors, in particular in the writing of the Remuneration Report.

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

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The Board of Directors and its committees meet as frequently as business demands. The Board of Directors held ten meetings in 2014, each lasting between one and seven hours. The Audit Committee held seven meetings, each lasting between one and three hours, while the Remuneration Committee held four meetings, each lasting between one and two hours.

The Head of Finance (CFO) also attends the meetings of the Board of Directors. Other members of Senior Management and Heads of Business Units are invited to attend meetings of the Board of Directors when it discusses matters relevant to their areas of responsibility. To constitute a quorum, a majority of the members of the Board of Directors must be present. The Board of Directors makes decisions and carries out elections with a majority of the members present at the meeting. In the event of a tie, the Chairman has the casting vote. Resolutions can also be passed by way of telephone conferences or by circular, provided that no member

requests discussion in person. Resolutions passed in this way must be unanimous to be valid. Individual members are obliged to abstain from voting on personal matters or on matters involving persons with whom they are closely associated.

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

### 3.5 Definition of areas of responsibility

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

permitting heads of Business Units and their direct subordinates to accept seats on Boards of Directors, political offices or honorary offices, enacting the rules of the EMS Group and maintaining personal contact with senior managers of other companies and with important customers.

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

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

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

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



## 4. Senior Management

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

On December 31, 2014, Senior Management of EMS-CHEMIE HOLDING AG consisted of the following three persons:

**Magdalena Martullo** (born in 1969, Swiss citizen, Master of Business Administration) is major shareholder, Executive Vice-Chairman of the Board of Directors and Chief Executive Officer of the EMS Group. She joined EMS in 2001 and took command of the Group in 2004 when her father was elected to the Bundesrat (federal council) of the Swiss Government and sold his shares to his four children. Due to her shareholding in the ERESTA HOLDING AG, she is today majority shareholder in the EMS-CHEMIE HOLDING AG together with her sister Rahel Blocher. Magdalena Martullo graduated at the Hochschule St. Gallen (HSG) in Business Administration. Before joining the EMS Group she held different positions with Rivella AG and Johnson & Johnson AG as well as various other positions in Switzerland and abroad. Since 2004 she has been a member of the Executive Board of scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech, where she leads the Board committee on economic policy.

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

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

Members of Senior Management are nominated by the CEO and appointed by the Board of Directors. They are subordinate to the CEO, whom they assist in the task of managing and supervising the EMS Group. Senior Management usually meets every two weeks. In addition, the Secretary General attends these meetings in an advisory function. The duties and responsibilities of Senior Management are listed in section 3.5.

### 4.3 Management contracts

No management contracts with third parties exist.

## 5. Remuneration, shareholdings and loans

Details about remuneration, participation and loans are given in the Remuneration Report on page 17 and 18, resp. in the appendix to the annual financial statement of the EMS-CHEMIE HOLDING AG in note 7.

## 6. Shareholders' participation

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

### 6.1 Voting-rights and representation restrictions

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

A registered shareholder may only be represented at the Annual General Meeting by his/her legal representative, by another shareholder who has voting rights or by the Independent Proxy. Shareholders may also issue powers of attorney or directives to the Independent Proxy electronically. The Independent Proxy is elected by the Annual General Meeting for a term of office lasting until the next ordinary Annual General Meeting; re-election is permissible. Shares held by the company do not confer voting rights at the Annual General Meeting and do not bear a dividend.



## 6.2 Statutory quorums

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

## 6.3 Convocation of the General Meeting of Shareholders

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

## 6.4 Agenda

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

## 6.5 Inscriptions into the share register

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

## 7. Changes in control and defence measures

### 7.1 Duty to make an offer

According to Article 3 paragraph 2 of the Articles of Association, a party acquiring shares above the legal threshold potentially triggering a public offer in EMS-CHEMIE HOLDING AG is not obliged to submit a public purchase offer (opting-out clause).

### 7.2 Clauses on changes of control

There are no clauses relating to changes in control.

## 8. Auditors

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

KPMG AG, Badenerstrasse 172, 8026 Zurich, Switzerland, has acted as the statutory auditor of EMS-CHEMIE HOLDING AG since 2004. The statutory auditor is appointed by the Annual General Meeting for a one-year term of office. François Rouiller has been the lead auditor since 2011. The person, leading the revision, is allowed to execute the mandate for seven years at the longest (art. 730a par. 2 CO).

### 8.2 Audit fees

The EMS Group paid KPMG a global total of approximately CHF 358 623 for services relating to the audit of the Group's annual financial statements. The net sales revenue audited by KPMG accounts for approximately 46% of the EMS Group's total net sales.

### 8.3 Additional fees

KPMG charged a global total of approximately CHF 428 987, comprising CHF 192 188 for tax consultancy services, CHF 156 760 for legal advices and CHF 80 039 for transaction-related advice (including due diligence).

### 8.4 Information tools pertaining to the external audit

The Audit Committee monitors the independence and performance of the independent statutory auditor on behalf of the Board of Directors and verifies the financial reporting of EMS (regarding the meetings held see section 3.4, page 12). The independent statutory auditor was invited to attend one meeting of the Audit Committee. Senior Management is responsible for financial accounting and continuous financial reporting, including the internal control system. The independent statutory auditor, KPMG AG, is responsible for giving an opinion on whether the accounting records and the annual financial statements comply with Swiss law and the company's Articles of Association. KPMG AG is responsible for providing an assessment of the consolidated financial statements (income statement, statement of comprehensive income, balance sheet, changes in equity, statement of cash flows and notes), in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and with Swiss law. The Audit Committee is also responsible for monitoring the relevant activities of Senior Management and the independent statutory auditor.

## 9. Implementation of the "Minder Initiative" (VegüV)

At the Annual General Meeting 2015, the statutes will be changed to comply with the requirements of the "Minder Initiative" (VegüV).

## 10. Information policy

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

### Calendar of events of the EMS Group

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July 10, 2015:

Half-year report 2015 (Media conference)

August 8, 2015:

Annual General Meeting 2015  
of EMS-CHEMIE HOLDING AG

End of August 2015:

Definitive Half-year report 2015

October 2015:

Third-quarter report 2015

February 2016:

Annual results 2015 (Media conference)

April 2016:

First-quarter report 2016

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

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

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## Remuneration system, competence and method of determining

The remuneration system for members of the Board of Directors and Senior Management consists of a basic salary and a variable salary component, which are paid out in cash only. EMS has no participation plan. The basic salary and variable salary component are independent of each other. The variable salary component may form a central part of the overall remuneration package. The principal criteria for setting the variable salary component are the achievement of earnings targets and project objectives. Otherwise, no guidelines exist for the remuneration system. If targets are not achieved, the variable salary component may be

omitted. The level of the remuneration depends on individual responsibility and target achievement.

The individual total remuneration sum is defined by the Board of Directors at the proposal of the Remuneration Committee and after consultation with the CEO in April of the following year and paid in May.

## Voting of the Annual General Meeting on remuneration

The Annual General Meeting votes annually and separately on the total remuneration sum for the Board of Directors and Senior Management.

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

The following remuneration was paid in the reporting year (1.5.2014–30.4.2015):

		2014/2015 (CHF '000)	2013/2014 (CHF '000)
<b>Board of Directors</b>	<b>Function</b>	<b>Remuneration</b>	
Dr U. Berg	Chairman	244	244
M. Martullo	Vice-Chairman and CEO	232	232
Dr J. Streu	Member (since 10.8.2013)	130	39
Dr W. Prätorius	Member (until 10.8.2013)	–	90
B. Merki	Member (since 9.8.2014)	38	–
U. Fankhauser	Member (since 10.8.2013 to 27.2.2014)*	–	70
Dr H.J. Frei	Member (until 10.8.2013)**	–	90
Total Board of Directors		644	765

\* Passed away 27.2.2014.

\*\* From 31.12.2013 also as Chairman of the Foundation Board of the Pension Fund for the EMS Group TCHF 172.

### Senior Management

Total remuneration paid to the Senior Management was 2 662 (2013/2014: 2 475).  
The highest remuneration for a member of the Senior Management in the reporting year was KCHF 1 073 (2013/2014: KCHF 987) and was paid to M. Martullo, in addition to the remuneration she received as Member of the Board of Directors.

Total remuneration paid to the Board of Directors and Senior Management was 3 306 (2013/2014: 3 240).  
The remuneration is paid exclusively in cash.  
EMS has no stock option program.

### Advisory board

There is no advisory board.

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

## Loans and Credit

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

## Proposals to the Annual General Meeting 2015: Approval of the Remuneration 2014/2015

Total sum of remuneration to the Board of Directors to be approved: TCHF 644.

Total sum of remuneration to Senior Management to be approved: TCHF 2 662.

## Report of the Statutory Auditor on the Remuneration Report



### Report of the Statutory Auditor on the Remuneration Report to the General Meeting of Shareholders of EMS-CHEMIE HOLDING AG, Domat/Ems.

We have audited the Remuneration Report dated June 22, 2015 of EMS-CHEMIE HOLDING AG for the year ended April 30, 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive remuneration in Stock Exchange Listed Companies contained in the table "Remuneration for the reporting year and comparison with previous year" on page 17 of the Remuneration Report.

### Responsibility of the Board of Directors

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 against Excessive remuneration in Stock Exchange Listed Companies (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 accompanying 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 remuneration, 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 April 30, 2015 of EMS-CHEMIE HOLDING AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, June 22, 2015

KPMG AG

François Rouiller  
Licensed Audit Expert  
Auditor in Charge

Roman Künzle  
Licensed Audit Expert

## Consolidated Income Statement

EMS Group  
Consolidated Financial Statements  
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	Notes	2014 (CHF '000)	2013 (CHF '000)
Net sales revenue from goods and services		1 971 887	1 885 187
Inventory changes, semi-finished and finished goods		(12 299)	(2 409)
Capitalised costs and other operating income	1	30 664	33 692
Material expenses		1 141 292	1 145 204
Personnel expenses	2	246 286	222 413
Other operating expenses	3	124 392	124 832
<b>EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISZATION (EBITDA)</b>		<b>478 282</b>	<b>424 021</b>
Depreciation and amortization	9, 23	55 046	55 134
<b>NET OPERATING INCOME (EBIT)</b>		<b>423 236</b>	<b>368 887</b>
Income from associated companies	4	34	25 680
Financial income	6	610	3 567
Financial expenses	7	9 136	13 030
<b>NET FINANCIAL INCOME</b>		<b>(8 492)</b>	<b>16 217</b>
<b>NET INCOME BEFORE TAXES</b>		<b>414 744</b>	<b>385 104</b>
Income taxes	8	65 324	61 298
<b>NET INCOME</b>		<b>349 420</b>	<b>323 806</b>
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		342 871	317 618
Non-controlling interests	17	6 549	6 188
Earnings per share in CHF:			
Basic	26	14.66	13.58
Diluted	26	14.66	13.58

## Consolidated Statement of Comprehensive Income

Net income recognized in income statement		349 420	323 806
Remeasurements of defined benefit liability/(asset), after taxes		(39 521)	13 684
Total items that will never be reclassified to profit or loss		(39 521)	13 684
Net changes from cash flow hedges, after taxes	14	(2 431)	(7 823)
Currency translation differences		12 732	(18 293)
Total items that are or may be reclassified to profit or loss		10 301	(26 116)
Other comprehensive income, after taxes		(29 220)	(12 432)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>320 200</b>	<b>311 374</b>
Of which attributable to: Shareholders of EMS-CHEMIE HOLDING AG		312 710	306 595
Non-controlling interests	17	7 490	4 779

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

## Consolidated Balance Sheet

	Notes	31.12.2014 (CHF '000)	31.12.2013 (CHF '000)
<b>NON-CURRENT ASSETS</b>		651 412	641 754
Intangible assets	9	95 675	92 586
Property, plant and equipment	9	522 347	515 201
Investments	9	183	4 267
Other non-current assets	10	7 557	17 615
Deferred income tax assets	8	25 650	12 085
<b>CURRENT ASSETS</b>		1 194 214	1 096 098
Inventories	11	295 998	314 183
Trade receivables	12	263 420	258 920
Income tax assets		11 976	5 715
Other receivables	13	149 532	74 264
Derivative financial instruments	14	0	2 997
Cash and cash equivalents	15	473 288	440 019
<b>TOTAL ASSETS</b>		1 845 626	1 737 852
<b>EQUITY</b>		1 268 211	1 199 312
Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG		1 250 153	1 184 888
Share capital	16	234	234
Retained earnings and reserves		907 048	867 036
Net income		342 871	317 618
Equity, attributable to non-controlling interests	17	18 058	14 424
<b>LIABILITIES</b>		577 415	538 540
Non-current liabilities		189 225	123 254
Derivative financial instruments	14	3 809	5 889
Bank loans	18	41	42
Other non-current liabilities		17	236
Deferred income tax liabilities	8	96 600	97 503
Pension liabilities	19	58 665	15 509
Provisions	20	30 093	4 075
Current liabilities		388 190	415 286
Derivative financial instruments	14	11 768	9 179
Bank loans	18	11 597	100 000
Trade payables		118 626	108 085
Income tax liabilities		83 737	62 368
Provisions	20	4 256	4 623
Other current liabilities	21	158 206	131 031
<b>TOTAL EQUITY AND LIABILITIES</b>		1 845 626	1 737 852

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

EMS Group  
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(CHF '000)	Share capital	Capital reserves (share premium)	Treasury shares	Retained earnings	Hedging reserves from IAS 39	Translation differences	Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG	Equity, attributable to non-controlling interests	Equity
<b>At 31.12.2012</b>	<b>234</b>	<b>21 563</b>	<b>0</b>	<b>1 150 152</b>	<b>10 254</b>	<b>(58 768)</b>	<b>1 123 435</b>	<b>14 732</b>	<b>1 138 167</b>
Net changes from cash flow hedges, after taxes					(7 823)		(7 823)		(7 823)
Remeasurements of defined benefit liability/(asset), after taxes				13 684			13 684		13 684
Currency translation differences						(16 884)	(16 884)	(1 409)	(18 293)
<b>Other comprehensive income, after taxes</b>				<b>13 684</b>	<b>(7 823)</b>	<b>(16 884)</b>	<b>(11 023)</b>	<b>(1 409)</b>	<b>(12 432)</b>
Net income recognized in income statement				317 618			317 618	6 188	323 806
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>331 302</b>	<b>(7 823)</b>	<b>(16 884)</b>	<b>306 595</b>	<b>4 779</b>	<b>311 374</b>
Transactions with treasury shares		131	(11 383)				(11 252)		(11 252)
Transactions with non-controlling interests							0	273	273
Dividends paid				(233 890)			(233 890)	(5 360)	(239 250)
<b>At 31.12.2013</b>	<b>234</b>	<b>21 694</b>	<b>(11 383)</b>	<b>1 247 564</b>	<b>2 431</b>	<b>(75 652)</b>	<b>1 184 888</b>	<b>14 424</b>	<b>1 199 312</b>
Net changes from cash flow hedges, after taxes					(2 431)		(2 431)		(2 431)
Remeasurements of defined benefit liability/(asset), after taxes				(39 521)			(39 521)		(39 521)
Currency translation differences						11 791	11 791	941	12 732
<b>Other comprehensive income, after taxes</b>				<b>(39 521)</b>	<b>(2 431)</b>	<b>11 791</b>	<b>(30 161)</b>	<b>941</b>	<b>(29 220)</b>
Net income recognized in income statement				342 871			342 871	6 549	349 420
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>303 350</b>	<b>(2 431)</b>	<b>(11 791)</b>	<b>312 710</b>	<b>7 490</b>	<b>320 200</b>
Transactions with treasury shares		937	11 383				12 320		12 320
Transactions with non-controlling interests				(2 223)		(263)	(2 486)	1 266	(1 220)
Dividends paid				(257 279)			(257 279)	(5 122)	(262 401)
<b>At 31.12.2014</b>	<b>234</b>	<b>22 631</b>	<b>0</b>	<b>1 291 412</b>	<b>0</b>	<b>(64 124)</b>	<b>1 250 153</b>	<b>18 058</b>	<b>1 268 211</b>
Balance sheet equity ratio								2014 68.7%	2013 69.0%

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2013: KCHF 47) not eligible for distribution.

The change in other comprehensive income and income taxes recognized directly in equity amounts to KCHF +206 (2013: KCHF +665) on hedge accounting, KCHF +7 395 (2013: -2 392) on remeasurements of defined benefit liability (asset) and KCHF -80 (2013: KCHF +11) on transactions with treasury shares.

The translation differences contains KCHF -3 460 (2013: KCHF -8 221) from IAS 21 "Net investment in a foreign operation".

On February 6, 2015, the company announced that the Board of Directors will propose a dividend payment of CHF 12.00 per each share to the ordinary annual shareholder meeting on August 8, 2015 (CHF 10.00 ordinary dividend, CHF 2.00 extraordinary dividend).

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

## Consolidated Statement of Cash Flows

	Notes	2014 (CHF '000)	2013 (CHF '000)
Net income		349 420	323 806
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	9, 23	55 046	55 134
(Profit)/loss from disposal of property, plant and equipment, net	3	642	(1 078)
Increase/(decrease) of provisions	20	26 467	2 527
Increase/(decrease) of other non-current liabilities		(226)	217
(Income)/expenses from the equity-valuation of associated companies	4	(34)	(25 680)
Unrealised currency translation (gains)/losses on foreign exchange positions		3 727	7 880
Change assets and liabilities of post-employment benefits, net	19	4 399	(24 065)
Net interest expense	6, 7	376	1 364
Dividends on available-for-sale securities	6	(22)	(2 891)
Expenses for income taxes	8	65 324	61 298
Changes in net working capital		60 400	7 668
Taxes paid		(74 144)	(59 518)
Interest paid		(978)	(2 043)
Provisions used	20	(895)	(286)
<b>CASH FLOW FROM OPERATING ACTIVITIES A</b>		<b>489 501</b>	<b>344 333</b>
(Purchase) of intangible assets and property, plant and equipment	9	(52 313)	(57 448)
Disposal of intangible assets and property, plant and equipment	3, 9	688	2 424
(Increase) in other non-current assets		(91)	(517)
Decrease in other non-current assets		0	2 920
Interest received		586	679
Dividends received		42	2 846
Cash inflow from sale of fully consolidated companies	24	(6 732)	(46 721)
(Increase)/decrease of interest-bearing assets	13	(61 871)	435
<b>CASH FLOW FROM INVESTING ACTIVITIES B</b>		<b>(119 691)</b>	<b>(95 382)</b>
Dividends paid to shareholders of EMS-CHEMIE HOLDING AG		(257 279)	(233 890)
Dividends paid to non-controlling interests	17	(5 122)	(5 360)
Cash outflow from purchase of minority shares		(731)	0
(Purchase) of treasury shares	16	(2 033)	(13 834)
Sale of treasury shares	16	14 353	2 582
Increase in interest-bearing liabilities	18	11 596	0
(Decrease) in interest-bearing liabilities	18	(100 000)	(21 061)
<b>CASH FLOW FROM FINANCING ACTIVITIES C</b>		<b>(339 216)</b>	<b>(271 563)</b>
Increase/(decrease) in cash and cash equivalents (A + B + C)		30 594	(22 612)
Cash and cash equivalents at 1.1.		440 019	461 041
Translation difference on cash and cash equivalents		2 675	1 590
Cash and cash equivalents at 31.12.	15	473 288	440 019

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.



## Consolidated accounting principles

### General information on the consolidated financial statements

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

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

### Significant estimates and assumptions made by management

#### Impairment of non-current assets

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To ascertain whether impairment has occurred, estimates are made of the expected future cash flows arising from the use and possible disposal of such assets. Significant assumptions are made in relation to such calculations, including sales figures, margins and discounting rates. It is also possible for useful lives 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 9.

#### Provisions for litigation risks and other provisions

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

#### Employee benefits

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

#### Taxes

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Measurement of current direct and indirect tax liabilities is subject to interpretation of the tax legislation in the countries concerned. The accuracy of tax declarations and appropriateness of liabilities are judged in the context of final assessments or inspections by the tax authorities. Furthermore, the judgment as to whether tax-loss carry forwards can be capitalised 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 8. The current deferred income tax assets and deferred income tax liabilities are shown in the balance sheet on a separate line.

### Changes to the consolidated accounting principles

As of January 1, 2014, EMS-Group applies several new and revised IFRS standards:

- IFRS 10, Investment Entities  
IFRS 12  
und IAS 27
- IFRIC 21 Levies
- IAS 32 Offsetting Financial Assets and  
Financial Liabilities
- IAS 39 Novation of OTC derivatives and  
continuing designation for hedge  
accounting

The individual changes have no material effect on the consolidated financial statements of the EMS Group.

### Consistency

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

In case of changes in the depiction, the comparison figures taken from previous year's consolidated annual statement have been reclassified and supplemented where necessary.

### Financial instruments

The difference between the carrying value less allowances of financial assets and liabilities is not material.

### Standards that have been approved, but not yet applied

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

Standard / Interpretation		Effective as of	Planned application by the EMS Group
Annual Improvements (2010–2012 cycle and 2011–2013 cycle)	**	July 1, 2014	Financial year 2015
IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	*	January 1, 2016	Financial year 2016
IAS 16/IAS 38 – Acceptable methods of depreciation and amortisation	*	January 1, 2016	Financial year 2016
IAS 28/IFRS 10 – Sales or contributions of assets between an investor and its associate/joint venture	*	January 1, 2016	Financial year 2016
IFRS 10/IAS 28 – Investment entity amendments	*	January 1, 2016	Financial year 2016
IFRS Annual improvements 2012–2014 cycle	**	January 1, 2016	Financial year 2016
IAS 1 – Disclosure initiatives	**	January 1, 2016	Financial year 2016
IFRS 15 – Revenue from Contracts with Customers	**	January 1, 2018	Financial year 2018
IFRS 9 – Financial instruments	***	January 1, 2018	Financial year 2018

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

\*\* The main effects are expected to be additional disclosures or amendments in the presentation of the consolidated financial statements of the EMS Group.

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

### Scope of consolidation

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

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

### Method of consolidation

The financial statements of majority-owned companies are fully consolidated. Assets and liabilities, income and expenses are incorporated in full. Capital consolidation is effected using the acquisition method. Intercompany transactions and relations have been eliminated in the course of consolidation. Unrealised 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 capitalised 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). No fair value adjustments are recognized.

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 except for securities, other investments and derivative financial instruments, which are measured at fair value.

#### Intangible assets (excluding goodwill)

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

#### Goodwill

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

#### Property, plant and equipment

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

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

Depreciation periods are as follows:

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

#### Leases

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

#### Investments

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

#### Inventories

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

#### Receivables

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

#### Securities

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Securities include marketable securities traded on stock exchanges and are classified as available-for-sale. Initial measurement of all security transactions is done at the date of fulfilment of the contract (settlement date accounting) at fair value including transaction costs. Subsequent measurement is done at fair value with changes recorded in equity and only transferred to the income statement at the moment of the sale or in the case of impairment.

Impairment is assumed when there is a significant or prolonged decline in the fair value below its cost. According to the guidelines of the EMS Group a significant or prolonged decline exists if the fair value of securities is below its cost for a period of nine months or by more than 20%. If the decline in fair value is less than 20% or lasts less than nine months, management decides whether the loss has to be considered permanent.

#### Cash and cash equivalents

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Cash and cash equivalents include cash on hand, bank account balances and short or medium-term deposits within an original maturity of less than three months. Cash and cash equivalents are valued at their nominal value.

This definition is also used for the cash flow statement.

#### Non-current bank loans

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

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

#### Liabilities and deferred income

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

#### Provisions

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

If the effect is material, provisions are determined by discounting expected future cash flows at a

pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### Employee benefits

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

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

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

Remeasurements comprise:

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

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

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

#### Derivative financial instruments

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

#### Hedge accounting

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

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

#### Net sales revenue

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

#### Research and development costs

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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

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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

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

#### Foreign currencies

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

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

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

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

The most important exchange rates are:

	Unit		Average exchange rates		Year-end exchange rates	
			2014	2013	2014	2013
Euro	EUR	1	1.215	1.231	1.203	1.225
US Dollar	USD	1	0.915	0.927	0.988	0.888
Japanese Yen	JPY	100	0.865	0.951	0.826	0.845
Chinese Renminbi	CNY	100	14.853	15.065	15.900	14.650
Taiwan Dollar	TWD	100	3.017	3.115	3.125	2.975

### 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 includes all the shares that could potentially be issued following the exercising of option or conversion rights, for instance.

### Segment reporting

Internal reporting to the Board of Directors (= Chief Operating Decision Maker) is based on the two business areas of "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 by the Board of Directors quarterly. The segmentation is prepared to the level of EBIT. A splitting of financial income and expenses and of taxes is not useful because those functions are executed on Group level. All assets and liabilities are contributed to the business area or geographical region either direct or via useful rate assessment.



## Financial risk management

### General

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

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

### Credit risks

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

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

### Liquidity risks

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

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

### Market risks

#### Interest rate risks

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

This risk is not hedged.

#### Currency risks

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Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

#### Other price risks: securities risks

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

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



## Capital management

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

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

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including non-controlling interests) as a percentage of total assets. The EMS Group aims for a balance sheet equity ratio between 40% and 60%. The balance sheet equity ratio is 68.7% as at December 31, 2014 (December 31, 2013: 69.0%). The EMS Group has no external minimum capital requirements.

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

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

## Segment Information

### Segment information by business area

(CHF '000)	High Performance Polymers		Specialty Chemicals		Elimination		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Net sales revenue with third parties	1 702 913	1 620 202	268 974	264 985	0	0	1 971 887	1 885 187
Net sales revenue with other segments	0	87	0	0	0	(87)	0	0
Total net sales revenue	1 702 913	1 620 289	268 974	264 985	0	(87)	1 971 887	1 885 187
EBITDA	415 264	366 377	63 018	57 644	0	0	478 282	424 021
Depreciation, amortisation and impairments <sup>1)</sup>	46 621	46 572	8 425	8 562	0	0	55 046	55 134
Net operating income (EBIT)	368 643	319 805	54 593	49 082	0	0	423 236	368 887
Net financial income							(8 492)	16 217
Net income before taxes							414 744	385 104
Income taxes							(65 324)	(61 298)
Net income							349 420	323 806

(CHF '000)	High Performance Polymers		Specialty Chemicals		Non-segment assets/liabilities		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Segment assets <sup>2)</sup>	1 229 320	1 133 507	143 018	160 242	473 288	444 103	1 845 626	1 737 852
Segment liabilities <sup>3)</sup>	550 906	423 788	14 871	14 710	11 638	100 042	577 415	538 540
Investments	49 301	52 327	3 012	5 122			52 313	57 449
Income from equity-valuation of associated companies	34	25 680	0	0			34	25 680

### Segment information by geographical region

(CHF '000)	Total net sales revenue (customers)		Total net sales revenue (production)		Segment assets <sup>2)</sup>	
	2014	2013	2014	2013	2014	2013
Europe	1 087 616	1 027 429	1 410 594	1 347 860	988 701	963 047
<i>thereof Switzerland</i>	76 879	73 330	892 085	870 826	634 534	676 680
<i>thereof Germany</i>	452 195	412 334	236 230	230 485	107 323	98 106
Asia	531 444	536 023	320 957	340 949	264 475	221 011
<i>thereof China</i>	288 000	264 486	165 056	138 373	167 560	121 401
NAFTA	295 360	251 290	223 284	173 288	109 861	98 361
<i>thereof USA</i>	233 629	223 541	203 157	173 288	85 131	98 361
Others	57 467	70 445	17 052	23 090	9 301	11 330
Non-segment assets					473 288	444 103
Total	1 971 887	1 885 187	1 971 887	1 885 187	1 854 626	1 737 852

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

### Most important customers

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

<sup>1)</sup> See note 9.

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

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

## Consolidated Income Statement

EMS Group  
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Notes	2014 (CHF '000)	2013 (CHF '000)
1 Capitalised costs and other operating income		
Capitalised costs	11 138	12 306
Other operating income	19 526	21 386
Total capitalised costs and other operating income	30 664	33 692
2 Personnel expenses		
Wages and salaries	197 656	172 500
Subcontractor salaries	11 096	10 371
Expenses for defined benefit plans (see note 19)	5 379	9 804
Legal/contractual social insurance	32 155	29 738
Total personnel expenses	246 286	222 413
3 Other operating expenses		
Rents	9 842	9 657
Repairs and maintenance	25 782	26 245
Insurance, duties, fees	7 255	8 007
Energy	33 027	34 092
Administration, promotion	25 031	27 642
Losses on disposal of property, plant and equipment, net	642	(1 078)
Supplies	7 512	4 910
Other operating expenses	15 301	15 357
Total other operating expenses	124 392	124 832
4 Income from associated companies		
Income from equity-valuation of associated companies	0	6 510
Revaluation existing investment to fair value (see note 24)	34	23 141
Currency effects, transferred to income statement	0	(3 971)
Total income from associated companies	34	25 680
5 Research and development		
Expenditures for research and development amount to	44 079	39 962
In percent of net sales revenue	2.2%	2.1%

Notes	2014 (CHF '000)	2013 (CHF '000)
6	Financial income	
	Other interest income	549
	Interest income on loans and receivables	39
	Total interest income	588
	Dividends on available-for-sale securities	22
	Total financial income	610
7	Financial expenses	
	Interest expenses	964
	Foreign exchange losses, net	6456
	Bank charges and commissions	1716
	Total financial expenses	9136
8	Income taxes	
	Current income taxes	74935
	Deferred income taxes	(9611)
	Total income taxes	65324
	The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. The expected income tax rate corresponds to the weighted average of the tax rates in the tax jurisdictions in which the EMS Group operates. Due to the mix of the EMS Group's taxable income and changes in some local tax rates, the expected income tax rate changes from year to year. The effective income tax expenses differed from the expected income tax expenses as follows:	
	Breakdown of the income tax expenses	
	Net income before income taxes	414744
	Expected income tax rate	20.5%
	Expected income taxes	84834
	Use of tax losses carried forward from previous years	(1630)
	Change in deferred tax assets not having been set up	365
	Tax exemption/Expenses not being deductible for tax purposes	(13386)
	Taxes from previous years	(2777)
	Impact of changed deferred income tax rates	(2072)
	Other	(10)
	Effective income taxes	65324
	Effective income tax rate	15.8%
		385104
		22.8%
		87804
		(2028)
		(3159)
		(17481)
		(3870)
		(94)
		126
		61298
		15.9%

Notes	2014 (CHF '000)		2013 (CHF '000)	
	Deferred income tax assets	Deferred income tax liabilities	Deferred income tax assets	Deferred income tax liabilities
Deferred income taxes: Change in recognised assets/liabilities				
At 1. 1.	12 085	97 503	10 445	87 635
Change in scope of consolidation	0	2 604	0	8 562
Increase/Decrease via income statement	5 564	(4 047)	(9 741)	4 482
Increase/Decrease via other comprehensive income/Equity	7 395	302	11 790	(2 392)
Translation differences	606	238	(409)	(784)
At 31. 12.	25 650	96 600	12 085	97 503
Note to the deferred income tax liabilities				
Calculation according to the "balance sheet liability method":				
Deferred income taxes on non-current assets	83 626		81 696	
Deferred income taxes on current assets	10 702		11 062	
Deferred income taxes on liabilities	2 272		4 745	
Total deferred income tax liabilities	96 600		97 503	
Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories.				
Tax loss carryforwards				
	Tax loss carryforwards	Tax effect	Tax loss carryforwards	Tax effect
Total tax loss carryforwards for which no deferred income taxes were recognized	12 711	2 608	13 389	3 034
Of which to be carried forward for up to:				
1 year	11	3	0	0
2 years	0	0	0	0
3 years	78	19	71	18
4 years	10	3	9	2
5 years	0	0	0	0
More than 5 years	12 612	2 583	13 309	3 014

## Consolidated Balance Sheet as at December 31

### Notes

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

##### I. Intangible assets

(CHF '000)	Goodwill	Patents, trade- marks	Others	Total
At 1.1.2013	22 545	7 103	2 141	31 789
Cost	22 545	7 822	24 707	55 074
Accumulated amortisation and impairment	0	(790)	(22 495)	(23 285)
Net book value	22 545	7 032	2 212	31 789
2013				
At 1.1.	22 545	7 032	2 212	31 789
Change in scope of consolidation	27 438	41 929	569	69 936
Additions	0	0	339	339
Disposals	0	0	(103)	(103)
Amortisation	0	(5 497)	(761)	(6 258)
Reclassifications	0	0	134	134
Translation differences	(241)	(3 276)	266	(3 251)
At 31.12.	49 742	40 188	2 656	92 586
Cost	49 742	48 961	22 191	120 894
Accumulated amortisation and impairment	0	(8 773)	(19 535)	(28 308)
Net book value	49 742	40 188	2 656	92 586
2014				
At 1.1.	49 742	40 188	2 656	92 586
Change in scope of consolidation	0	7 559	87	7 646
Additions	0	0	269	269
Disposals	0	0	(1)	(1)
Amortisation	0	(5 399)	(2 307)	(7 706)
Reclassifications	0	0	2 528	2 528
Translation differences	879	(681)	155	353
At 31.12.	50 621	41 667	3 387	95 675
Cost	50 621	47 747	33 530	131 898
Accumulated amortisation and impairment	0	(6 080)	(30 143)	(36 223)
Net book value	50 621	41 667	3 387	95 675

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

##### Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 50 621 (2013: KCHF 49 742) 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 1 % (2013: 1 %).
- The discount rate before taxes is 11 % (2013: 10 %).

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 1 percentage point 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. 2013	19 301	124 521	312 340	16 601	23 288	496 051
Cost	20 964	294 132	929 042	53 886	24 203	1 322 227
Accumulated depreciation and impairment	(1 663)	(169 611)	(616 702)	(37 285)	(915)	(826 176)
Net book value	19 301	124 521	312 340	16 601	23 288	496 051
2013						
At 1. 1.	19 301	124 521	312 340	16 601	23 288	496 051
Change in scope of consolidation	1 461	9 973	4 907	1 435	422	18 198
Additions	0	1 168	2 453	2 816	50 672	57 109
Disposals	(139)	(352)	(423)	(190)	(139)	(1 243)
Depreciation	(69)	(7 669)	(35 785)	(5 132)	(221)	(48 876)
Reclassifications	32	1 751	17 445	3 662	(23 022)	(132)
Translation differences	(502)	(2 358)	(2 544)	(312)	(190)	(5 906)
At 31. 12.	20 084	127 034	298 393	18 880	50 810	515 201
Cost	21 798	304 274	926 075	60 796	51 910	1 364 853
Accumulated depreciation and impairment	(1 714)	(177 240)	(627 682)	(41 916)	(1 100)	(849 652)
Net book value	20 084	127 034	298 393	18 880	50 810	515 201
2014						
At 1. 1.	20 084	127 034	298 393	18 880	50 810	515 201
Change in scope of consolidation	2 179	1 199	1 511	161	435	5 485
Additions	0	1 855	5 543	3 080	41 566	52 044
Disposals	(102)	(107)	(615)	(278)	(227)	(1 329)
Depreciation	0	(7 180)	(33 697)	(4 705)	0	(45 582)
Impairment	0	0	(1 758)	0	0	(1 758)
Reclassifications	0	7 423	32 724	1 670	(44 392)	(2 575)
Translation differences	114	(869)	1 147	(63)	532	861
At 31. 12.	22 275	129 355	303 248	18 745	48 724	522 347
Cost	24 463	313 228	951 873	64 138	48 724	1 402 426
Accumulated depreciation and impairment	(2 188)	(183 873)	(648 625)	(45 393)	0	(880 079)
Net book value	22 275	129 355	303 248	18 745	48 724	522 347

Fire insurance value is KCHF 1 808 410 (2013: KCHF 1 846 265). Property, plant and equipment are insured at replacement values.

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

Year	Amount	Business area
2014:	KCHF 1 758	High Performance Polymers
2013:	KCHF 0	—

Notes

III. Investments

(CHF '000)	Investments in associated companies	Other investments	Total
At 1.1. 2013	22 595	183	22 778
Cost/Fair value	22 595	183	22 778
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	22 595	183	22 778
2013			
At 1.1.	22 595	183	22 778
Change in scope of consolidation	(24 859)	0	(24 859)
Income from equity-valuation of associated companies	6 510	0	6 510
Additions/Increase	0	0	0
Disposals/Decrease	0	0	0
Translation differences	(162)	0	(162)
At 31.12.	4 084	183	4 267
Cost/Fair value	4 084	183	4 267
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	4 084	183	4 267
2014			
At 1.1.	4 084	183	4 267
Change in scope of consolidation	(4 073)	0	(4 073)
Income from equity-valuation of associated companies	0	0	0
Additions/Increase	0	0	0
Disposals/Decrease	0	0	0
Translation differences	(11)	0	(11)
At 31.12.	0	183	183
Cost/Fair value	0	183	183
Accumulated depreciation/amortisation and impairment	0	0	0
Net book value	0	183	183



Notes	2014 (CHF '000)	2013 (CHF '000)
10 Other non-current assets		
Other non-current assets	996	1 057
Assets from employee benefits (see note 19)	6 561	16 558
Total other non-current assets	7 557	17 615
Other non-current assets mainly comprise loans to third parties.		
11 Inventories		
Raw materials and supplies	136 494	148 429
Semi-finished goods, work in progress	7 653	10 384
Finished products	182 242	184 670
Value adjustments	(30 391)	(29 300)
Total inventories	295 998	314 183
12 Trade receivables		
Trade receivables from associated companies	0	8
Trade receivables from third parties	270 833	265 748
Allowances for doubtful receivables	(7 413)	(6 836)
Total trade receivables	263 420	258 920
Allowances for doubtful receivables are determined on the basis of historical losses and recognisable individual risks.		
Due dates of trade receivables		
Not due	252 405	239 379
Overdue <30 days	16 192	24 268
Overdue 30 to 90 days	1 494	1 713
Overdue >90 days	742	396
Total	270 833	265 756

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

The movement of the allowances for doubtful receivables is as follows:

	2014		2013	
	Individual allowance	General allowance	Individual allowance	General allowance
At 1.1.	1 992	4 844	1 935	5 413
Increase in allowances	230	1 904	372	785
Decrease in allowances	(115)	(1 651)	(145)	(1 202)
Losses on trade receivables	(280)	0	(207)	0
Reclassifications	213	(213)	34	(34)
Translation differences	162	327	3	(118)
At 31.12.	2 202	5 211	1 992	4 844

Notes		2014 (CHF '000)	2013 (CHF '000)	
13	Other receivables			
	Other receivables	24 616	42 271	
	Other short-term financial assets	62 560	689	
	Prepayments and accrued income	62 356	31 304	
	Total other receivables	149 532	74 264	
14	Derivative financial instruments			
	The following summary shows the most important derivative financial instruments:			
	Financial instruments at fair value classified through profit or loss			
Currency	EUR/CHF	Notional amount CHF	0	187 389
		Positive replacement value CHF	0	349
		Negative replacement value CHF	0	3 214
SWAPS and forward rate agreements	USD/CHF	Notional amount CHF	106 369	0
		Positive replacement value CHF	0	0
		Negative replacement value CHF	5 787	0
	JPY/CHF	Notional amount CHF	82 071	79 540
		Positive replacement value CHF	0	0
		Negative replacement value CHF	5 448	7 186
	CZK/EUR	Notional amount CHF	30 623	48 308
		Positive replacement value CHF	0	0
		Negative replacement value CHF	4 008	4 561
	EUR/USD	Notional amount CHF	0	1 712
		Positive replacement value CHF	0	1
		Negative replacement value CHF	0	0
	CNY/CHF	Kontraktvolumen CHF	8 094	0
		Positiver Wiederbeschaffungswert CHF	0	0
		Negativer Wiederbeschaffungswert CHF	334	0
	Others	Notional amount CHF	0	8 195
		Positive replacement value CHF	0	0
		Negative replacement value CHF	0	107
Total		Notional amount CHF	227 157	325 144
		Positive replacement value CHF	0	350
		Negative replacement value CHF	15 577	15 068
Thereof: Current portion		Notional amount CHF (<12 months)	172 642	265 464
		Positive replacement value CHF (<12 months)	0	350
		Negative replacement value CHF (<12 months)	11 768	9 179
Non-current portion		Notional amount CHF (1–5 years)	54 515	59 680
		Positive replacement value CHF (1–5 years)	0	0
		Negative replacement value CHF (1–5 years)	3 809	5 889

Notes		2014 (CHF '000)	2013 (CHF '000)
Financial instruments effective for hedge accounting purposes			
Currency	USD/CHF	Notional amount CHF	0
		Positive replacement value CHF	34 564
		Negative replacement value CHF	2 638
SWAPS and forward rate agreements			0
	CZK/EUR	Notional amount CHF	0
		Positive replacement value CHF	6 745
		Negative replacement value CHF	9
			0
Total		Notional amount CHF	0
		Positive replacement value CHF	41 309
		Negative replacement value CHF	2 647
			0
Thereof: Current portion		Notional amount CHF (<12 months)	0
		Positive replacement value CHF (<12 months)	41 309
		Negative replacement value CHF (<12 months)	2 647
			0
Non-current portion		Notional amount CHF (1–5 years)	0
		Positive replacement value CHF (1–5 years)	0
		Negative replacement value CHF (1–5 years)	0
			0
<p>Derivative financial instruments were mostly effected for hedging purposes. Currency SWAPS, forward rate agreements and currency option contracts are used for the hedging of future purchases and sales in foreign currencies.</p> <p>The replacement value is understood as being the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions. Any derivatives are reported at fair value.</p>			
Net changes from cash flow hedges in equity, after taxes			
At 1.1.			2 431
Transfer to consolidated income statement			10 254
Fair value adjustments			(2 637)
Income taxes recognised directly in equity			0
			733
Total net changes from cash flow hedges in equity, after taxes			206
			665
At 31.12.			(2 431)
			(7 823)
			0
			2 431

Notes		2014 (CHF '000)	2013 (CHF '000)			
15	Cash and cash equivalents					
	Deposits	473 205	439 417			
	Cash and cash equivalents	83	602			
	Total cash and cash equivalents	473 288	440 019			
16	Share capital					
		Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)	
	Par value					
	At 31.12. 2012	CHF 0.01	23 389 028	0	23 389 028	234
	Purchase of treasury shares		–	44 019	(44 019)	–
	Sale of treasury shares		–	(7 819)	7 819	–
	At 31.12. 2013	CHF 0.01	23 389 028	36 200	23 352 828	234
	Purchase of treasury shares		–	6 546	(6 546)	–
	Sale of treasury shares		–	(42 746)	42 746	–
	At 31.12. 2014	CHF 0.01	23 389 028	0	22 389 028	234
17	Non-controlling interests					
	This item reflects the non-controlling interests in capital and profit/loss for the year. In 2014 25% non-controlling interests of EFTEC (Elabuga) OOO and 40% non-controlling interests of Shanghai EFTEC Chemical Products Ltd. were bought back. 25% non-controlling interests of EFTEC China Ltd. were transferred to a third party. The existing non-controlling interests in EMS-UBE and Wuhu EFTEC Chemical Products Ltd. remained unchanged.					
	The change in non-controlling interests is as follows:					
	At 1.1.				14 424	14 732
	Change in the scope of consolidation				0	273
	Transactions with non-controlling interests (see note 29)				1 266	0
	Dividends paid				(5 122)	(5 360)
	Net income				6 549	6 188
	Translation differences				941	(1 409)
	At 31.12.				18 058	14 424

Notes	2014 (CHF '000)	2013 (CHF '000)
18 Bank loans		
The non-current bank loans are composed as follows:		
JPY: Average interest rate: 1.26% (2013: 1.48%)	41	42
Total non-current bank loans	41	42
The carrying amounts of non-current bank loans in JPY correspond to their fair values, as the interest rates are variable.		
The current bank loans are composed as follows:		
JPY: Average interest rate: 0.38% (2013: - )	11 564	0
MXN: Average interest rate: 2.75% (2013: - )	33	0
CHF: Average interest rate: - (2013: 1.35%)	0	100 000
Total current bank loans	11 597	100 000
The current bank loans in CHF were entirely repayed on January 31, 2014.		

## 19 Pension Liabilities

### Description of Swiss defined benefit plans

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 2014, the minimum interest rate was 1.75% (2013: 1.5%).

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.

## Notes

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, 2015, the following amendments were made to the Swiss defined benefit plans:

- The conversion rate was reduced from 6.0% to 5.7%.

As a result of these adjustments, the defined benefit liability of the group was reduced by KCHF 3 906. The corresponding income from past service cost was recognized in the consolidated income statement at the end of 2014.

### Balance sheet reconciliation

	Pension plans CH	Other post-employment benefit plans	Total 2014	Pension plans CH	Other post-employment benefit plans	Total 2013
<b>Funded plans</b>						
– Fair value of plan assets	356 064	6 561	362 625	366 465	6 730	373 195
– Defined benefit obligation	(400 877)	(6 597)	(407 474)	(359 027)	(6 198)	(365 225)
<b>Over/(under) funding</b>	<b>(44 813)</b>	<b>(36)</b>	<b>(44 849)</b>	<b>7 438</b>	<b>532</b>	<b>7 970</b>
<b>Unfunded plans</b>						
– defined benefit obligation	0	(475)	(475)	0	(423)	(423)
<b>Net recognized asset/(liability)</b>	<b>(44 813)</b>	<b>(511)</b>	<b>(45 324)</b>	<b>7 438</b>	<b>109</b>	<b>7 547</b>
Jubilees	0	(5 596)	(5 596)	0	(4 945)	(4 945)
Provision for termination pay	0	(1 184)	(1 184)	0	(1 553)	(1 553)
<b>(Net liability)/asset</b>	<b>(44 813)</b>	<b>(7 291)</b>	<b>(52 104)</b>	<b>7 438</b>	<b>(6 389)</b>	<b>1 049</b>
<b>Reported in balance sheet</b>						
– Other non-current assets (see note 10)			6 561			16 558
– Pension liabilities			(58 665)			(15 509)
<b>Net recognized asset/(liability)</b>			<b>(52 104)</b>			<b>1 049</b>

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

Notes

Movement in net defined benefit (asset)/liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2014	2013	2014	2013	2014	2013
1.1.	359 027	374 998	(366 465)	(374 691)	(7 438)	307
<b>Included in profit or loss</b>						
Current service cost	9 433	9 799	0	0	9 433	9 799
Past service cost	(3 906)	0	0	0	(3 906)	0
Interest cost/(income)	7 181	6 562	(7 329)	(6 557)	(148)	5
<b>Total</b>	<b>12 708</b>	<b>16 361</b>	<b>(7 329)</b>	<b>(6 557)</b>	<b>5 379</b>	<b>9 804</b>
<b>Included in OCI</b>						
Remeasurements loss/(gain):						
– Actuarial loss (gain) arising from:						
– demographic assumptions	0	0			0	0
– financial assumptions	49 483	(9 646)			49 483	(9 646)
– experience adjustment	1 498	212			1 498	212
– Return on plan assets excluding interest income	0	0	(3 087)	(7 150)	(3 087)	(7 150)
<b>Total</b>	<b>50 981</b>	<b>(9 434)</b>	<b>(3 087)</b>	<b>(7 150)</b>	<b>47 894</b>	<b>(16 584)</b>
<b>Other</b>						
Employers' contributions	0	0	(1 023)	(965)	(1 023)	(965)
Employees' contributions	6 355	6 232	(6 354)	(6 232)	1	0
Vested benefits paid in/(paid out), net	(28 194)	(29 130)	28 194	29 130	0	0
<b>Total</b>	<b>(21 839)</b>	<b>(22 898)</b>	<b>20 817</b>	<b>21 933</b>	<b>(1 022)</b>	<b>(965)</b>
<b>Balance at 31.12.</b>	<b>400 877</b>	<b>359 027</b>	<b>(356 064)</b>	<b>(366 465)</b>	<b>44 813</b>	<b>(7 438)</b>

EMS expects to pay MCHF 1 into defined benefit plans in 2015.

	2014 (CHF '000)	2013 (CHF '000)
Plan assets		
Total assets	356 064	366 465
Liquidity*	44%	53%
Bonds CHF*	22%	14%
Bonds EUR*	2%	2%
Swiss shares*	3%	4%
Shares Abroad*	3%	3%
Property	23%	21%
Mortgages, loans	4%	3%
Other investments	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\* Plan assets with market prices.

Notes	2014 (CHF '000)	2013 (CHF '000)
Actuarial assumptions as of 31.12.		
Discount rate	1.00%	2.00%
Future salary growth	1.00%	1.00%
Future pension growth	0.25%	0.25%
Mortality table	BVG 2010 GT	BVG 2010 GT

#### Sensitivity analysis

Reasonably possible changes to one of the relevant actuarial assumptions at the reporting date would have affected the defined benefit obligation by the amounts shown below, given that other assumptions remained constant:

Discount rate +0.5%	(27 526)	(16 827)
Discount rate -0.5%	31 151	18 704
Future salary growth +0.5%	1 491	1 061
Future salary growth -0.5%	(1 449)	(1 031)
Life expectancy +1 year	12 035	9 135
Life expectancy -1 year	(11 529)	(8 782)

At December 31, 2014, the weighted average duration of the defined benefit obligation was 14.8 years (2013: 13.5 years).

## 20 Provisions

(CHF '000)	Provisions for environmental risks	Provisions for litigation risks	Other provisions	Total
At 31.12. 2013	0	1 320	7 378	8 698
Change in scope of consolidation	172	0	0	172
Increase via income statement	21 137	3 113	1 455	25 695
Decrease via income statement	0	(1 009)	(361)	(1 370)
Amounts used	0	(183)	(713)	(896)
Reclassifications	2 000	0	142	2 142
Translation differences	(3)	10	(99)	(92)
At 31.12. 2014	23 306	3 251	7 792	34 349
Of which: Current portion of provisions	0	99	4 157	4 256
Non-current portion of provisions	23 306	3 152	3 635	30 093

Provisions for environmental risks cover expected charges for ecological requirements, measures for water protection and for the recultivation and removal of ecological damages at existing production or storage sites. The non-current provision has an expected average maturity of 4–8 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 2.5 years.

The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be < 5 % as per December 31, 2014.



Notes	2014 (CHF '000)	2013 (CHF '000)
21 Other current liabilities		
Advances from customers	3 085	2 238
Prepaid expenses and deferred income	112 945	76 377
Other current liabilities to related parties (Pension fund)	5 700	5 716
Liabilities to social security institutions	1 793	2 255
Other current liabilities	34 683	44 445
Total other current liabilities	158 206	131 031
22 Liabilities, net/(net cash position)		
Bank loans (see note 18)	11 638	100 042
Loans	6 167	6 434
Hedges with a negative replacement value (see note 14)	15 577	15 068
Liabilities	33 382	121 544
less		
Other short-term financial assets (see note 13)	(62 560)	(689)
Loans from third party	(41)	(55)
Hedges with a positive replacement value (see note 14)	0	(2 997)
Treasury shares (see note 16)	0	(11 383)
Interest-bearing financial assets	(996)	(1 057)
Cash and cash equivalents (see note 15)	(473 288)	(440 019)
Liabilities, net/(net cash position)	(503 503)	(334 656)

## Consolidated Statement of Cash Flows

Notes	2014 (CHF '000)	2013 (CHF '000)
23 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		
Amortisation intangible assets	7 706	6 258
Depreciation property, plant and equipment	45 582	48 876
Impairment property, plant and equipment	1 758	0
Total depreciation, amortisation and impairment of intangible assets and property, plant and equipment	55 046	55 134
For the breakdown of the depreciation, amortisation and impairment of intangible assets and property, plant and equipment please refer to note 9 and to the segment reporting.		
24 Purchase of fully consolidated companies		
2014		
Cash outflow from purchase of fully consolidated companies		
Acquisition of Grupo Placosa EFTEC S.A. de C.V.		
On July 8, 2014, EMS Group acquired the remaining $\frac{2}{3}$ shareholding of its Mexican partner in the joint venture Grupo Placosa EFTEC S.A. de C.V. Mexico and gains complete control of the EFTEC business in Mexico. The investment was treated as an associated company in prior years.		
From July 8, 2014 to December 31, 2014, the acquired business contributed net sales revenue of CHF 20.4 million and a net gain of CHF 0.7 million to the EMS Group. If the acquisition had occurred on January 1, 2014, Group net sales revenue would have been CHF 18.3 million higher, while net income would have been CHF 0.5 million higher. These amounts have been calculated using the Group's accounting policies.		
Net assets acquired and goodwill are shown as follows:		
Purchase price	8 214	
Existing investment in Grupo Placosa EFTEC S.A. de C.V. (Fair value)	4 107	
Fair value of assets acquired	(12 321)	
Goodwill	0	
Revaluation Grupo Placosa EFTEC S.A. de C.V.		
Book value	4 073	
Fair value	4 107	
Revaluation gain (see note 4)	34	

Notes	2014 (CHF '000)	2013 (CHF '000)
The acquisition of Grupo Placosa EFTEC S.A. de C.V. has been accounted for using the acquisition method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements:		
Intangible assets	7 646	
Property, plant and equipment	5 485	
Inventories	4 876	
Trade receivables	7 187	
Other receivables	674	
Cash and cash equivalents	1 482	
Deferred income tax liabilities	(2 604)	
Bank loans	(4 103)	
Trade payables	(4 817)	
Provisions	(172)	
Other current liabilities	(3 333)	
Fair value of assets acquired	12 321	
Purchase price	8 214	
Cash and cash equivalents of subsidiary acquired	(1 482)	
Cash outflow from purchase of fully consolidated companies	6 732	
2013		
Cash outflow from purchase of fully consolidated companies		
Acquisition of D PLAST-EFTEC		
On April 15, 2013, EMS Group acquired the 50% shareholding of its Czech partner D PLAST in the joint venture D PLAST-EFTEC a.s. In this way EMS gains complete control of the EFTEC business in Central and Eastern Europe. The investment was treated as a associated company in prior years.		
From April 15, 2013 to December 31, 2013, the acquired business contributed net sales revenue of CHF 67.9 million and a net gain of CHF 5.9 million to the EMS Group. If the acquisition had occurred on January 1, 2013, Group net sales revenue would have been CHF 21.6 million higher, while net income would have been CHF 3.3 million higher. These amounts have been calculated using the Group's accounting policies.		
Net assets acquired and goodwill are shown as follows:		
Purchase price		60 000
Existing investment in D PLAST-EFTEC a.s. (Fair value)		48 000
Fair value of assets acquired		(80 562)
Goodwill		27 438
The goodwill includes expected operating synergies from the acquisition and the positive effects of easier market development.		

Notes	2014 (CHF '000)	2013 (CHF '000)
Revaluation D PLAST-EFTEC a.s.		
Book value		24 859
Fair value		48 000
Revaluation gain (see note 4)		23 141
The acquisition of D PLAST-EFTEC a.s. has been accounted for using the acquisition method. The following amounts of assets and liabilities acquired have been included in the consolidated financial statements:		
Intangible assets		42 498
Property, plant and equipment		18 198
Inventories		9 249
Trade receivables		16 770
Other receivables		1 965
Cash and cash equivalents		13 279
Deferred income tax liabilities		(8 562)
Trade payables		(7 967)
Provisions		(1 132)
Other current liabilities		(3 736)
Fair value of assets acquired		80 562
Purchase price paid		60 000
Cash and cash equivalents of subsidiary acquired		(13 279)
Cash outflow from purchase of fully consolidated companies		46 721

## Further Details

Notes	2014 (CHF '000)	2013 (CHF '000)
25		
Contingent liabilities		
Contingent liabilities at the end of the year amount to	22 277	22 675
This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20).		
26		
Earnings per share – EPS		
Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
Details of earnings per share:		
Basic earnings per share		
Weighted average of registered shares outstanding	23 382 560	23 381 559
Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG	342 871	317 618
Basic earnings per share (CHF)	14.66	13.58
There is no earnings dilution; diluted earnings per share correspond to basic earnings per share.		
27		
Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2013: 14 224 143 registered shares)		
Amount of holding	60.82%	60.82%
Miriam Blocher, 2 079 000 registered shares (2013: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%

Notes	2014 (CHF '000)	2013 (CHF '000)
28 Transactions with related parties		
EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Senior Management as well as the close members of their families and associated companies are regarded as related parties.		
The members of the Board of Directors or Senior Management as well as the close members of their families did not receive any credits, advances or other types of loans. No related party transactions took place with them.		
The bonuses included in the reporting year consist of the bonuses estimated in the reporting year. The definitive bonuses for the reporting year are announced after the publication of this financial report and are presented in the Remuneration Report on page 17 and 18.		
Breakdown of the total remuneration		
Short-term employee benefits to the members of the Board of Directors and Senior Management	3 400	3 400
Share-based payment	0	0
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Total remuneration	3 400	3 400
The detailed disclosures of remuneration as per Swiss law can be found in the Remuneration Report.		
Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG of the members of the Board of Directors and members of the Senior Management as well as their related parties are as follows:		
Board of Directors	Number of shares	
Dr U. Berg, Chairman	3 600	3 600
M. Martullo, Vice-Chairman and CEO*	0	0
Dr J. Streu, Member (since 10. 8. 2013)	0	0
U. Fankhauser, Member (since 10. 8. 2013 to 27. 2. 2014)**	–	103
B. Merki, Member (since 9. 8. 2014)	0	–
Total Board of Directors	3 600	3 703

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

\*\* Passed away 27. 2. 2014.

Notes	2014	2013
Senior Management	Number of shares	
M. Martullo, Vice-Chairman and CEO*	0	0
P. Germann, CFO	0	0
Dr R. Holderegger, Member	0	0
Total Senior Management	0	0
<p>*Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 27).</p> <p>Neither the members of the Board of Directors and the Senior Management nor their related parties have any conversion rights or options in EMS-CHEMIE HOLDING AG.</p>		
29 Change in scope of consolidation		
<p>Addition:</p> <p>Grupo Placosa EFTEC: On July 8, 2014, EMS has taken over the remaining <math>\frac{2}{3}</math> shareholding of its Mexican partner in the joint venture Grupo Placosa EFTEC S.A. de C.V. Mexico. The investment was treated as an associated company in prior years.</p> <p>EFTEC (Mexico S.S. de C.V.: This company was founded on October 21, 2014.</p> <p>EFTEC (Elabuga) OOO: On January 15, 2014, EMS bought back 25% of the minority interests.</p> <p>Disposals:</p> <p>EFTEC (Guangzhou) Automotive Materials Co., Ltd.: On 28 July 2014, the company was dissolved.</p> <p>Barter transaction:</p> <p>At September 5, 2014, EMS Group changed 25% of EFTEC China Ltd. against the 40% existing non-controlling interests in Shanghai EFTEC Chemical Products Ltd. with a third party without any cash settlement.</p>		

Notes

30 List of subsidiaries (at 31.12.2014)

Name	Domicile	Country
EMS-CHEMIE HOLDING AG	Domat/Ems	Switzerland
EMS-INTERNATIONAL FINANCE (Guernsey) Ltd.	Guernsey	Guernsey
EMS-PATENT AG	Domat/Ems	Switzerland
<u>GESCHÄFTSBEREICH HOCHLEISTUNGSPOLYMERE</u>		
EMS-CHEMIE AG	Domat/Ems	Switzerland
EMS-CHEMIE (France) S.A.	Boulogne-Billancourt Cedex	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.	Milano	Italy
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	Germany
EMS-CHEMIE (Taiwan) Ltd.	Hsin Chu Hsien	Taiwan (R.O.C.)
EMS-CHEMIE (China) Ltd.	Shanghai	China (People's Rep.)
EMS-CHEMIE (Suzhou) Ltd.	Suzhou	China (People's Rep.)
EMS-GRILON HOLDING Inc.	Wilmington, DE	USA
EMS-CHEMIE (North America) Inc.	Sumter, SC	USA
EFTEC Europe Holding AG	Zug	Switzerland
EMS-CHEMIE (Luxembourg) Sàrl	Senningerberg	Luxembourg
EFTEC (Shanghai) Engineering Co. Ltd.	Shanghai	China (People's Rep.)
EFTEC AG	Romanshorn	Switzerland
EFTEC Sàrl	Boulogne-Billancourt Cedex	France
EFTEC Brasil Ltda.	Santana de Parnaiba	Brazil
EFTEC Engineering GmbH	Markdorf	Germany
EFTEC (Czech Republic) a.s.	Zlin	Czech Republic
EFTEC SI 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 (Elabuga) OOO	Elabuga	Russia
EFTEC (Nizhniy Novgorod) OOO	Nizhniy Novgorod	Russia
EFTEC Ltd.	Rhigos	UK
EFTEC NV	Genk	Belgium
EFTEC Systems S.A.	Zaragossa	Spain
EFTEC Asia Pte. Ltd.	Singapore	Singapore
EFTEC (Thailand) Co. Ltd.	Rayong	Thailand
EFTEC (India) Pvt. Ltd.	Maharashtra	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 Ltd.	Shanghai	China (People's Rep.)
EMS-TOGO Corp.	Taylor, MI	USA
EFTEC North America, L.L.C.	Taylor, MI	USA
Grupo Placosa EFTEC, S.A. de C.V.	Cuernavaca	Mexico
Recubrimientos Modernos S.A. de C.V.	Cuernavaca	Mexico
Placosa S.A. de C.V.	Cuernavaca	Mexico
EFTEC Mexico S.A. de C.V.	Cuernavaca	Mexico
<u>GESCHÄFTSBEREICH SPEZIALCHEMIKALIEN</u>		
EMS-GRILTECH *		
EMS-PATVAG s.r.o.	Brankovice	Czech Republic
EMS-METERING AG	Domat/Ems	Switzerland
EMS-CHEMIE (Neumünster) Holding GmbH	Neumünster	Germany
EMS-CHEMIE (Neumünster) GmbH & Co. KG	Neumünster	Germany
EMS-CHEMIE (Neumünster) Verwaltungs GmbH	Neumünster	Germany



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%	P, V	K
EUR	1951	100.00%	V	K
GBP	1530	100.00%	V	K
JPY	210000	100.00%	V	K
JPY	1500000	66.67%	P, V	K
KRW	113000	100.00%	V	K
EUR	1300	100.00%	V	K
EUR	2556	100.00%	P, V	K
TWD	281000	100.00%	P, V	K
CNY	5000	100.00%	V	K
CNY	98693	100.00%	P	K
USD	2420	100.00%	D	K
USD	3385	100.00%	P, V	K
CHF	8000	100.00%	D	K
EUR	200	100.00%	V	K
CNY	886	100.00%	P, V	K
CHF	2500	100.00%	P, V	K
EUR	8	100.00%	V	K
BRL	541	100.00%	P	K
EUR	25	100.00%	P, 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
RUB	37514	100.00%	P, V	K
RUB	37200	100.00%	P, 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
USD	750	100.00%	D	K
USD	38222	100.00%	P, V	K
MXN	19451	100.00%	D	K
MXN	550	100.00%	D	K
MXN	47409	100.00%	P	K
MXN	50	100.00%	V	K
CZK	30000	100.00%	P, V	K
CHF	100	100.00%	D	K
EUR	25	100.00%	D	K
EUR	3000	100.00%	P, V	K
EUR	25	100.00%	D	K

Notes	2014 (CHF '000)	2013 (CHF '000)
31 Risk management		
Credit risks		
Overview of financial assets		
Other non-current financial assets (see note 10)	996	1 057
Trade receivables (see note 12)	263 420	258 920
Derivative financial instruments (see note 14)	0	2 997
Other short-term financial assets (see note 13)	62 560	689
Cash and cash equivalents (see note 15)	473 288	440 019
Total financial assets	800 264	703 682
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 12.		

#### Liquidity risks

The maturity date of financial liabilities is as follows:

At 31.12.2014 (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)	11 597	11 642	11 642	0	0
Non-current bank loans (see note 18)	41	44	1	43	0
Trade payables	118 626	118 626	118 626	0	0
Prepaid expenses and deferred income (see note 21)	49 065	49 065	49 065	0	0
Other current liabilities to related parties (see note 21)	5 700	5 700	5 700	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	15 577	227 157	172 642	54 515	0
Total financial liabilities	200 606	412 234	357 676	54 558	0

At 31.12.2013 (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)	100 000	101 350	101 350	0	0
Non-current bank loans (see note 18)	42	45	1	44	0
Trade payables	108 085	108 085	108 085	0	0
Prepaid expenses and deferred income (see note 21)	35 817	35 817	35 817	0	0
Other current liabilities to related parties (see note 21)	5 716	5 716	5 716	0	0
Derivative financial liabilities:					
Derivative financial instruments (see note 14)	15 068	301 103	241 423	59 680	0
Total financial liabilities	264 728	552 116	492 392	59 724	0

Notes

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

CHF 0 million (2013: CHF 100.0 million) of the bank loans have a fixed interest rate. 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 3.7 million (2013: CHF 2.6 million). A 100 basis point fall in the interest rate for deposits and bank loans would decrease net income after taxes by CHF 0.4 million (2013: CHF 0.3 million).

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

Currency risks

Overview currency exposure, net

At 31.12. 2014 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 12)	3 004	137 032	51 853	15 545	32 600	19 408
Loans to group companies	19 893	304 146	65 366	5 204	0	8 369
Derivative financial instruments (see note 14)	0	0	0	0	0	0
Trade payables	(537)	(52 399)	(31 019)	(10 177)	(9 587)	(6 769)
Loans from group companies	(4 659)	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	(11 564)	0	(33)
Non-current bank loans (see note 18)	0	0	0	(41)	0	0
Derivative financial instruments (see note 14)	0	0	(106 369)	(82 071)	(8 094)	(30 623)
Currency exposure, net	17 701	388 779	(20 169)	(83 104)	14 919	(9 648)

At 31.12. 2013 (CHF '000)	CHF	EUR	USD	JPY	CNY	Other currencies
Trade receivables (see note 12)	72	132 495	60 577	15 249	28 106	17 107
Loans to group companies	6 033	160 716	80 896	5 324	0	6 239
Derivative financial instruments (see note 14)	0	0	0	0	0	0
Trade payables	(375)	(56 248)	(16 488)	(11 225)	(5 757)	(29 637)
Loans from group companies	(23 000)	0	0	0	0	0
Current bank loans (see note 18)	0	0	0	0	0	0
Non-current bank loans (see note 18)	0	0	0	(42)	0	0
Derivative financial instruments (see note 14)	0	(187 389)	(34 564)	(79 540)	0	(64 960)
Currency exposure, net	(17 270)	49 574	90 421	(70 234)	22 349	(71 251)

## Notes

### Sensitivity analysis of currency risks

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) net income after taxes by CHF –26.8 million (2013: CHF –12.1 million). Per currency: EUR: CHF –24.2 million (2013: CHF –1.0 million), USD: CHF +8.4 million (2013: CHF –2.4 million), JPY: CHF –6.5 million (2013: CHF –6.0 million), other currencies: CHF –4.5 million (2013: CHF –2.7 million).

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF –29.7 million (2013: CHF –13.8 million decrease/(increase)). Per currency: EUR: CHF –24.2 million (2013: CHF –1.0 million), USD: CHF +5.5 million (2013: CHF –4.0 million), JPY: CHF –6.5 million (2013: CHF –6.0 million), other currencies: CHF –4.5 million (2013: CHF –2.7 million).

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

### Financial assets/liabilities: fair value hierarchy

At 31.12.2014 (CHF '000)	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Derivative financial instruments (see note 14)		0		0
<b>Financial liabilities:</b>				
Derivative financial instruments (see note 14)		(15 577)		(15 577)

At 31.12.2013 (CHF '000)	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Derivative financial instruments (see note 14)		2 997		2 997
<b>Financial liabilities:</b>				
Derivative financial instruments (see note 14)		(15 068)		(15 068)

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.

Notes	2014 (CHF '000)	2013 (CHF '000)
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.		
Cash and cash equivalents (see note 15)	473 288	440 019
Other short-term financial assets (see note 13)	62 560	689
Other non-current assets (see note 10)	996	1 057
Trade receivables (see note 12)	263 420	258 920
Loans and receivables	326 976	260 666
Derivative financial instruments (assets; see note 14)	0	2 997
Non-current bank loans (see note 18)	41	42
Current bank loans (see note 18)	11 597	100 000
Trade payables	118 626	108 085
Prepaid expenses and deferred income (see note 21)	112 945	76 377
Other current liabilities to related parties (see note 21)	5 700	5 716
Financial liabilities measured at amortised cost	248 909	290 220
Derivative financial instruments (liabilities; see note 14)	15 577	15 068

### 32 Information about the risk assessment process

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

### 33 Subsequent events

On January 15, 2015, the Swiss National Bank announced that it was discontinuing the minimum exchange rate for the Swiss franc against the euro. This led to a strong appreciation of the Swiss franc, which is the presentation currency of the Group. In the case of Group companies and associates with a different functional currency, the translation of those currencies into the Swiss franc is expected to have a negative translation impact on the consolidated financial statements and to increase the cumulative exchange rate differences recognized in equity. The discontinuation of the minimum exchange rate for the Swiss franc against the euro had no impact on the financial statements for the reporting year.

Between December 31, 2014 and March 17, 2015 there were no further subsequent events requiring an adjustment of the book values of Group assets and liabilities or needing to be published here.

The consolidated financial statements were approved by the Board of Directors on March 17, 2015 and need to be approved by the Annual General Meeting on August 8, 2015.

## Report of the Statutory Auditor on the Consolidated Financial Statements



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

As Statutory Auditor, we have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 19 to 59) for the year ended December 31, 2014.

#### Board of Directors' Responsibility

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### Report on Other Legal Requirements

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

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

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

Zurich, March 17, 2015

KPMG AG

François Rouiller  
Licensed Audit Expert  
Auditor in Charge

Roman Künzle  
Licensed Audit Expert

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

**for the Financial Year May 1, 2014 – April 30, 2015**



## Income Statement May 1, 2014 to April 30, 2015

	Notes	2014/2015 (CHF '000)	2013/2014 (CHF '000)
<b>INCOME</b>			
License fees from group companies		50 883	49 120
Financial income			
Interest income		3 293	3 947
Dividends from group companies		323 009	157 543
Income from financial assets		8 103	6 126
<b>Total income</b>		<b>385 288</b>	<b>216 736</b>
<b>EXPENSES</b>			
Operating expenses to group companies		15 024	16 959
Financial expenses			
Interest expenses		1 720	1 678
Foreign exchange differences, net	1	14 604	2 104
Bank charges, duties, fees		110	122
Administration expenses		1 078	1 067
<b>Total expenses</b>		<b>32 536</b>	<b>21 930</b>
<b>Net income before taxes</b>		<b>352 752</b>	<b>194 806</b>
<b>Taxes</b>		<b>2 417</b>	<b>2 330</b>
<b>Net income</b>		<b>350 335</b>	<b>192 476</b>



## Balance Sheet as at April 30, 2015

EMS-CHEMIE HOLDING AG  
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	Notes	30. 4. 2015 (CHF '000)	30. 4. 2014 (CHF '000)
<b>Non-current assets</b>		305 185	355 482
Investments in group companies	2	280 352	280 352
Loans to group companies		24 833	75 130
<b>Current assets</b>		443 601	202 529
Prepayments and accrued income		16 829	16 839
Receivables from third parties		106 900	184
Receivables from group companies		2 703	5 763
Loans to group companies		14 113	11 720
Treasury shares	3	0	754
Other current financial assets		135 002	0
Cash and cash equivalents		168 054	167 269
<b>TOTAL ASSETS</b>		748 786	558 011
<b>Shareholders' equity</b>	4	580 812	487 756
Share capital	3/5	234	234
Legal reserves		47	47
Reserves for treasury shares	3	0	754
Other reserves		10 000	10 000
Available earnings		570 531	476 721
<b>Liabilities</b>		167 974	70 255
<b>Non-current liabilities</b>		14 169	14 169
Provisions		14 169	14 169
<b>Current liabilities</b>		153 805	56 086
Accruals and deferred income		16 943	11 005
Payables to third parties		6 116	4 623
Payables to group companies		130 746	40 458
<b>TOTAL EQUITY AND LIABILITIES</b>		748 786	558 011
Balance sheet equity ratio		77.6 %	87.4 %

## Notes to the Financial Statements 2014/2015

### Income Statement 2014/2015

Notes	2014/2015 (CHF '000)	2013/2014 (CHF '000)
1 Foreign exchange differences		
Foreign exchange gains	14 881	5 133
Foreign exchange losses	29 485	7 237
Foreign exchange differences	(14 604)	(2 104)

### Balance Sheet as at April 30, 2015

- 2 Investments in group companies  
 Details of the investments as at 31.12. 2014 can be seen in note 30, "List of subsidiaries" in the consolidated financial statements of the EMS Group.  
 In the period to 30.4. 2015, investments changed as follows:  
 EMS-Metering AG changed its name to EMS-CHEMIE (Produktion) AG.  
 EMS-CHEMIE (Deutschland) Vertriebs GmbH was established.  
 In the previous period, investments changed as follows:  
 25% of EFTEC (Elabuga) OOO was bought by  
 EFTEC Europe Holding AG on January 15, 2014.

3 Treasury shares

	Par value	Number of issued registered shares	Number of treasury shares	Number of shares entitled to dividend	Share capital (CHF '000)
At 30.4.2013	CHF 0.01	23 389 028	0	23 389 028	234
Change in treasury shares		–	2 402	(2 402)	0
At 30.4.2014	CHF 0.01	23 389 028	2 402	23 386 626	234
Change in treasury shares		–	(2 402)	2 402	0
At 30.4.2015	CHF 0.01	23 389 028	0	23 389 028	234

	Number of registered shares	
Details to treasury shares:		
At 1.5.	2 402	0
Purchases	30 141	50 565
Sales	(32 543)	(48 163)
At 30.4.	0	2 402

Purchase of 30 141 treasury shares at an average market price of CHF 352.96,  
 sale of 32 543 treasury shares at an average market price of CHF 407.18.

Notes	2014/2015 (CHF '000)	2013/2014 (CHF '000)
4 Shareholders' equity		
At 1.5.	487 756	529 170
Dividends paid	(257 279)	(233 890)
Net income	350 335	192 476
At 30.4.	580 812	487 756
5 Significant shareholders		
EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2013/2014: 14 224 143 registered shares)		
Amount of holding	60.82%	60.82%
Miriam Blocher, 2 079 000 registered shares (2013/2014: 2 079 000 registered shares)		
Amount of holding	8.89%	8.89%
No other representation of significant shareholders is known to the Board of Directors.		

Notes	2014/2015	2013/2014		
<b>Further Details</b>				
6	Contingent liabilities			
	Guarantees (maximum liability)			
	77 872	71 842		
7	Shareholdings			
	Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG held by members of the Board of Directors, members of the Senior Management and related parties were as follows:			
	Board of Directors	Function	Number of registered shares	
	Dr U. Berg	Chairman	3 600	3 600
	M. Martullo	Vice-Chairman and CEO*	0	0
	Dr J. Streu	Member (since 10.8.2013)	0	0
	U. Fankhauser	Member (from 10.8.2013 to 27.2.2014)**	–	–
	B. Merki	Member (since 9.8.2014)	0	–
	Total Board of Directors		3 600	3 600
	Senior Management	Function		
	M. Martullo	CEO*	0	0
	P. Germann	CFO	0	0
	Dr R. Holderegger	Member	0	0
	Total Senior Management		0	0
	* Excluding EMESTA HOLDING AG, in which Ms M. Martullo holds a 49.9% stake (see note 5).			
	** Passed away on 27.2.2014.			
	The members of the Board of Directors, Senior Management and related parties did not hold any conversion rights or options in EMS-CHEMIE HOLDING AG.			
8	Information about the risk assessment process			
	Risk management constitutes an integral component of planning and reporting activities at EMS. At Senior Management and Business Unit level, risks are identified annually as part of the medium-term planning procedure and preparation of the budget for the following year. They are then weighted according to the gravity of the risk and probability of its occurrence. The identification and assessment of changes in risk play an important part in this process. Measures are defined to reduce significant risks. In the course of planning discussions, the CEO and CFO report to the Board of Directors on the magnitude of these risks and the implementation status of the measures taken to counter them.			

Notes

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

	2014/2015 (CHF)	2013/2014 (CHF)
Available earnings		
Balance brought forward	219 441 659	284 998 626
Reserves for treasury shares	753 938	(753 938)
Net income	350 335 351	192 476 279
Total available earnings	570 530 948	476 720 967
Appropriation		
Payment of an ordinary dividend of CHF 10.00 (previous year CHF 8.50) gross and an extraordinary dividend of CHF 2.00 (previous year CHF 2.50) gross per registered share entitled to dividend	(233 890 280)	(198 806 738) <sup>11</sup>
	(46 778 056)	(58 472 570) <sup>11</sup>
Balance to be carried forward	289 862 612	219 441 659

<sup>11</sup> 23 386 626 registered shares eligible for distribution – net of own shares held by the company – at April 30, 2014.  
 At the time the General Meeting of Shareholders, there were no treasury shares.

## Report of the Statutory Auditor on the Financial Statements



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

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the income statement, balance sheet and notes (pages 62 to 67) for the year ended April 30, 2015.

### Board of Directors' Responsibility

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

### Auditor's Responsibility

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

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

evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended April 30, 2015 comply with Swiss law and the company's articles of incorporation.

### Report on Other Legal Requirements

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

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

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

Zurich, June 22, 2015

KPMG AG

François Rouiller  
Licensed Audit Expert  
Auditor in Charge

Roman Künzle  
Licensed Audit Expert

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Annual Report 2014/2015

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The original Annual Report is written in German. In case of inconsistencies between the German and this English version, the German version shall prevail.





HIGH PERFORMANCE POLYMERS  
SPECIALTY CHEMICALS