



56th ANNUAL REPORT 2018/2019

EMS

EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

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Dear Shareholders

In early 2018 the global markets were still in best form: The economy was booming, share prices rose, tax relief boosted consumer spending and all economic forecasts were positive. And despite this ... strongly increasing raw material prices and political occurrences already created doubts at EMS about these economic trends continuing. In the summer, these doubts then became tangible and visible. The USA stepped out of the NAFTA Agreement, threatened Europe with punitive customs duties on imported cars and implemented customs tariffs on steel and aluminium imports from all over the world. The contest for global power caused the USA and China to build progressively higher trade barriers. Iran and Turkey suffered political and economic pressure. Meanwhile, European heads of state were kept busy by domestic issues and Brexit. Consumers and companies became insecure and global demand for consumer and investment goods slowed, above all in China and Europe. The automotive industry suffered a substantial decline. In Europe, delayed model approvals additionally caused sales and production to drop.

Already at the beginning of the year, EMS prepared for a possible slowing of the economy with global efficiency programmes. More than 470 individual efficiency measures for sustainable cost improvements were implemented. In a changing market environment, quick and flexible but also future-oriented actions were essential. Prices, production volumes and costs needed to be continually adjusted to changing market circumstances. Thanks to innovative and sophisticated technical solutions, EMS was able to successfully achieve growth with new business and specialty products. Net sales and net operating income again reached new record levels.

In order to keep up with demand, EMS invested a total of more than CHF 60 million, mainly in additional production capacity and at the production site in Domat/Ems (Switzerland).

In 2018 we were also able to accept numerous awards from our customers. The international Society of Plastics Engineers awarded EMS with three innovation prizes in the automotive field for

development of a turbo actuator, a multi-functional door handle and a car shell-seat. The global automotive supplier SMR presented EMS with their "Supplier Prize 2017/2018". EMS-EFTEC India received an award from Toyota for their precise work and high degree of service. The American technology company ITRON presented EMS with the "Global Supplier Excellence Prize 2018" and the world's leading manufacturer of children's glasses, Chinese company Wenzhou Guan hao Glasses awarded EMS the title of "Premium Service Provider". This recognition of our innovative developments by our customers is motivation for EMS to continue to realise exceptional solutions providing system cost reductions and weight savings.

EMS can count on many years of service from its employees and invests in a focussed way in apprentice training and junior staff. Personnel development at EMS starts already at primary school age. At the company's own EMSORAMA Science Center, more than 5,000 children have already experimented with natural science topics. During the summer school holidays more than 400 children visit EMS laboratories, the on-site fire brigade or the workshops. EMS also organises more than 200 laboratory days each year to show teachers how to make use of the "Explore-it-Box", supplied by EMS, in their classes. EMS offers training for 140 apprentices of its own and another 100 from third companies in a total of 13 exciting professions and is particularly proud of the title of "Certified Training Company Switzerland", awarded to us this year by the consultancy company "Great Place to Work Switzerland". This title is awarded to companies with an exceptional working culture and is an important orientation aid for young people looking for a job.

A major experiment realised by EMS apprentices was on show at the "Open Day" held on June 15, 2019 in Domat/Ems, when EMS welcomed the public at large to take a look behind the scenes in

the daily work. Attractive and exciting tours of the facilities as well as an entertaining stage show provided an unforgettable experience for all visitors.

The business year 2019 will also present EMS with new challenges. Political instability is having a negative effect on economic trends. EMS is expecting a significantly worsening economy and a restrained consumer mood. With regard to its own course of business, EMS is confident and will further pursue its successful strategy of global growth with specialty products in the area of high-performance polymers. New products and applications will be continually launched onto global markets and market positions further strengthened. Thanks to innovative development activities in close cooperation with customers, EMS is well positioned to make use of market opportunities quickly and in a flexible way.

Our thanks and recognition goes, above all, to our valuable employees and management team for the outstanding performance which they provide every day. Our success is based on their loyalty, their above-average willingness and in particular, their great commitment. Furthermore, we would especially like to express our thanks to our customers and business partners for the outstanding cooperation and longstanding loyalty.

Last but not least, we would like to thank you, dear shareholders, most sincerely for your faith and solidarity with EMS. We look forward to moving forward together.



Dr Ulf Berg
Chairman of the
Board of Directors



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

Share Performance

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

Registered shares are listed on the SIX Swiss Exchange.

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

¹⁾ Proposal of the Board of Directors.

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

³⁾ Excluding non-controlling interests.

⁴⁾ Source: Bloomberg.

Course of Business

As expected, the global economy slowed more and more in 2018. Trade barriers and political conflicts had a constraining effect on the general consumer mood. In the European automotive industry, delayed model approvals and changing political framework conditions caused a decline.

EMS was again able to achieve new business globally and showed overproportional growth compared to the market. Profitable specialty business was successfully expanded in all global regions. In America, sales and development were significantly expanded in order to strengthen market positions. At the beginning of 2018, EMS had already prepared for possible economic change with efficiency programmes.

Consolidated net sales increased by 8.0% to reach CHF 2 318 million (2 146), net operating income (EBIT) closed at CHF 620 million (582) which is 6.6% above previous year. The operational cash flow (EBITDA) rose by 6.0% above previous year to reach CHF 673 million (635). The EBIT margin was 26.8% (27.1%), the EBITDA margin 29.0% (29.6%).

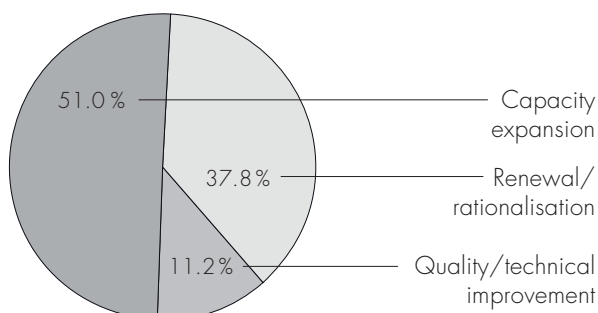
For the business year 2019, EMS is expecting the global economy to develop in a restrained and unstable manner. Unresolved political and economic relations among major powers may have a constraining effect on the general consumer mood. EMS will further pursue its successful strategy of global growth with specialty products in the area of high-performance polymers. Innovative products and solutions will be launched rapidly in the markets.

For 2019, EMS expects net sales and net operating income (EBIT) at least on the previous year's level.

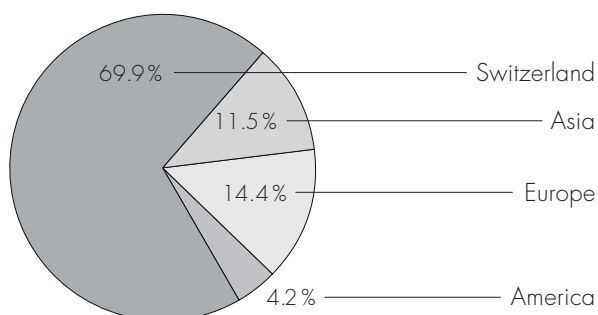
Investments

Overall investments in 2018 amounted to CHF 60 million (49). The majority of this sum was invested in expanding production capacity.

Investment by application



Investment by country and region



EMS Group production by country

| | |
|----------------|-------|
| Switzerland | 47.8% |
| Germany | 12.3% |
| USA | 8.9% |
| China | 7.8% |
| Belgium | 5.3% |
| Czech Republic | 3.9% |
| Japan | 3.3% |
| Mexico | 2.0% |
| Taiwan | 1.9% |
| Great Britain | 1.4% |
| Spain | 1.2% |
| Russia | 1.0% |
| Brazil | 0.7% |
| India | 0.7% |
| Others | 1.8% |

EMS Group net sales by country

| | |
|-----------------|-------|
| Germany | 22.4% |
| China | 14.1% |
| USA | 11.2% |
| France | 6.5% |
| Japan | 6.4% |
| Italy | 3.7% |
| Switzerland | 3.4% |
| Mexico | 3.1% |
| Spain | 2.5% |
| Czech Republic | 2.2% |
| Poland | 2.0% |
| South Korea | 1.9% |
| Great Britain | 1.5% |
| Sweden | 1.5% |
| Austria | 1.4% |
| Russia | 1.3% |
| Brazil | 1.2% |
| India | 1.1% |
| Taiwan | 1.1% |
| The Netherlands | 1.1% |
| Slovakia | 1.0% |
| Others | 9.4% |

Management structure

At the 2018 Annual General Meeting, Dr Ulf Berg, Magdalena Martullo, Dr Joachim Streu, Bernhard Merki and Christoph Mäder 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 2018, the EMS Group had a total of 2 939 (2 912) employees (excluding apprentices). At the end of the year, the EMS Group employed 136 (138) apprentices in Switzerland covering 13 (13) different vocational fields. A total of 36 (49) apprentices successfully completed their professional training during the year under review.

Business areas

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

High Performance Polymers

EMS-GRIVORY produces customized high-performance polymers (as polyamide granules). Thanks to their high-performance properties and ability to cut processing costs, these materials are used in a variety of applications, particularly in the automotive industry, in the electrical and electronics industry, in optics, as well as in numerous other industrial sectors. EMS-GRIVORY creates innovative system solutions with customers throughout the world. This includes feasibility studies, manufacture of prototypes, component testing and mould optimization.

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

In the reporting year 2018, the main business area High Performance Polymers achieved higher net sales amounting to CHF 2 028 million (1 871) and an increased net operating income (EBIT) of CHF 540 million (506). Innovative solutions providing customers with higher performance and, at the same time, lower cost and weight savings, resulted in substantial new business and stronger market positions.

Specialty Chemicals

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

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

In the secondary business area of specialty chemicals new business was also achieved and net sales and result were again increased. In the reporting year 2018, net sales amounted to CHF 291 million (275) and EBIT to CHF 80 million (76).

Key Figures 2014–2018

EMS Group
Annual Report 2018/2019

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

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

²⁾ Excluding non-controlling interests.

³⁾ Excluding apprentices (2018: 136; 2017: 138; 2016: 144 ; 2015: 141; 2014: 139).

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 and in the Organisational Rules of the EMS Group. All data refer to the situation as at December 31, 2018, except where stated otherwise.

1. Group structure and shareholders

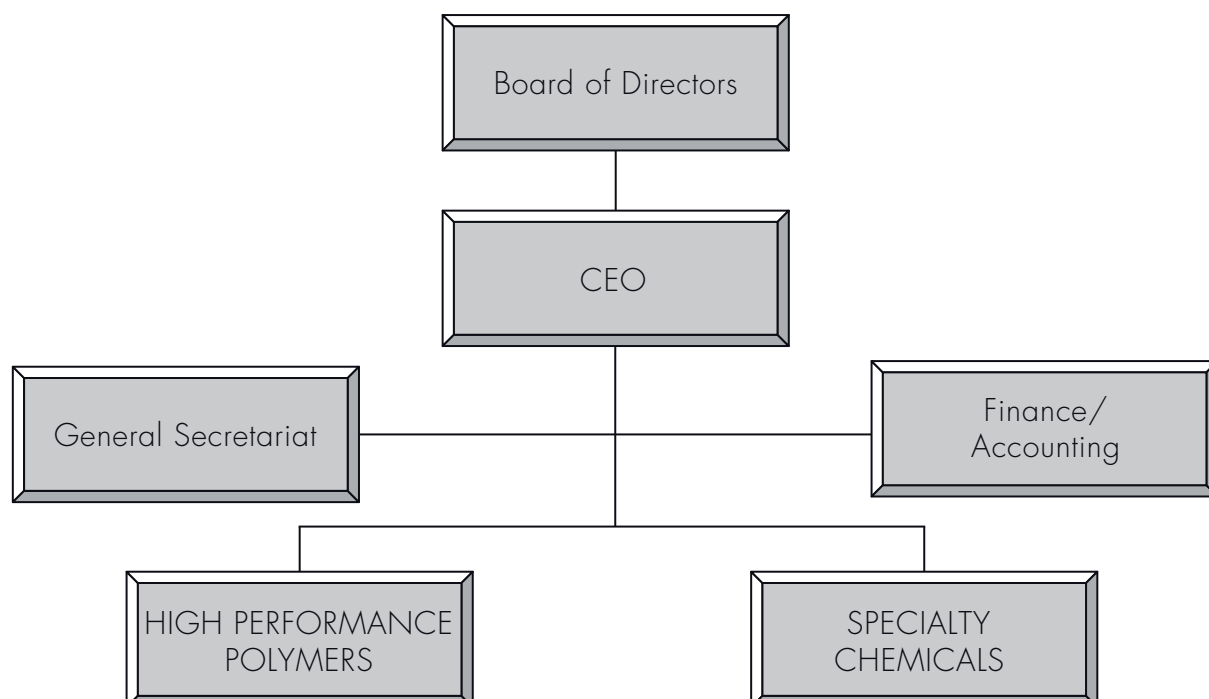
1.1 Group structure

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, 2018, the market capitalization of EMS amounted to CHF 10922.7 million. No subsidiaries hold EMS registered shares.

An overview of the unlisted subsidiaries belonging to the consolidated EMS Group can be found in note 32 in the financial section.

Segment reporting by business area and geographical region can be found on page 33.



1.2 Significant shareholders

In the 2018 calendar year, two shareholders held more than 3% of the equity of EMS-CHEMIE HOLDING AG:

EMESTA HOLDING AG holds 60.82% of the share capital of EMS-CHEMIE HOLDING AG and Miriam Baumann-Blocher 8.98%.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2. Capital structure

2.1 Capital /

2.2 Authorised and conditional capital in particular

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

2.3 Changes in capital

Information on capital changes can be found on page 4 (Share Performance), in the financial section on page 22 (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 exp. |
|--------------------|-------------|---------------|---------------|------------------|---------------------|
| Dr Ulf Berg | Swiss | Non-executive | 1950 | August 2007 | 2019 |
| Magdalena Martullo | Swiss | Executive | 1969 | August 2001 | 2019 |
| Dr Joachim Streu | German | Non-executive | 1956 | August 2013 | 2019 |
| Bernhard Merki | Swiss | Non-executive | 1962 | August 2014 | 2019 |
| Christoph Mäder | Swiss | Non-executive | 1959 | August 2018 | 2019 |

On December 31, 2018, the Board of Directors of EMS-CHEMIE HOLDING AG consisted of the following five members:

Dr Ulf Berg (1950, Swiss citizen, M.Sc. and PhD in mechanical engineering) has been non-executive Chairman of the Board of Directors since August 2007. He worked for ABB (formerly BBC) in various managerial positions in Switzerland and abroad for more than 20 years until 1998. From 1999 to 2001, Dr Ulf Berg was COO/CEO of Carlo Gavazzi Holding AG. From 2003 to 2004, he was CEO of SIG Beverages Int. AG before moving to Sulzer AG Switzerland as CEO in 2004. From 2007 to 2009, he was non-executive Chairman of the Board of Directors of Sulzer AG. Dr Ulf Berg was a member of the Management Board Committee of Swissmem from 2004 to 2015 and a member of the Board of Directors of Bobst SA Switzerland from 2006 to 2017. From 2012 to 2016 he was a member of the advisory board of Synagro Ltd., Baltimore, USA. From 2012 until 2018, Dr Ulf Berg was a member of the Board of Greater Zurich Area AG, Switzerland and 2016 to 2018, Chairman of the Board of Directors of Kuoni Reisen Holding AG, Zurich as well as member of the advisory board of G+E GETEC Holding GmbH, Magdeburg. He has been member of the Board of AM-Tec AG, Zurich since 2014 and since 2018 President of Kuoni IP Co. Dr Ulf Berg is a partner in the investment company BLR & Partners Ltd. in Zurich and also a Board member of several of its portfolio companies.

Magdalena Martullo (1969, Swiss citizen, Master of Business Administration) is Executive Vice-Chairman of the Board of Directors and Chief Executive

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

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 (thermo-plastic 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 2014 to 2018 he was CEO of the 4B AG in Hochdorf, Switzerland. From 2003 to 2012, Bernhard Merki served as member of the Executive Committee of the Krauss Maffei AG, Germany, and from 2006 until 2012 as Vice President of the Board of Directors of Netstal-Maschinen AG. From 2005 to 2012 he was President of EUROMAP, the European association for plastics and rubber machinery manufacturers and from 2013 to 2016 he was a member of the

Board of Directors of Hermann Bühler AG, Switzerland. Since 2010, Bernhard Merki has been a member of the Board of Directors of RONDO Burgdorf AG and of the Seewer Holding AG, Switzerland. Since 2019, Bernhard Merki has been Chairman of the Board of Directors of HOCHDORF Holding AG and member of the Board of Directors of Ferrum AG, Switzerland. Since 2008, Bernhard Merki has also been a member of the Board of Governors of the University of Applied Sciences and Technology in Rapperswil, Switzerland.

Christoph Mäder (1959, Swiss citizen, Master of Law, Attorney-at-Law, University of Basel, Switzerland) was a member of the Executive Team of Syngenta from 2000 until April 2018. Christoph Mäder is a member of the Board of Directors of Lonza Group AG and Baloise Holding AG and member of the Board of Trustees of the Swiss Youth Science Foundation "Schweizer Jugend forscht". For many years he was also a Board member (2006–2018) and Chairman (2008–2014) of scienceindustries, the Swiss Business Association for Chemistry Pharma Biotech and other science-based industries. He has been a member of the Board Committee of *economiesuisse* since 2008.

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

Attendance at meetings of the Board of Directors and committees 2018

| Name | Function | Attendance at meetings | | |
|------------------------|-----------------------|------------------------|-----------------|------------------------|
| | | Board of Directors | Audit Committee | Remuneration Committee |
| Dr Ulf Berg | Chairman | 10 ¹⁾ | 7 | 5 |
| Magdalena Martullo | Vice-Chairman and CEO | 10 | | |
| Dr Joachim Streu | Member | 10 | 7 ¹⁾ | 5 |
| Bernhard Merki | Member | 10 | | 5 ¹⁾ |
| Christoph Mäder | Member | 3 | | 1 |
| Total meetings | | 10 | 7 | 5 |
| Total duration (hours) | | 1–5 | 1–3 | 1–2 |

¹⁾ Chairman

3.3 Number of permitted activities outside the EMS Group

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

3.4 Elections and terms of office

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

3.5 Internal organisational structure

Duties of the Board of Directors

The Board of Directors is the highest executive body of the EMS Group. It is responsible for supervising and monitoring the company's management and that of its affiliated companies which together form the EMS Group. With the exception of the Chairman 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, 2018, 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, 2018, the Remuneration Committee consisted of four non-executive members of the Board of Directors (Bernhard Merki, Chairman, Dr Joachim Streu, member, Dr Ulf Berg, member, Christoph Mäder, member). The Remuneration Committee is concerned with the remuneration policy of the EMS Group (Board of Directors, Executive Management, senior executives). It supports the Board of Directors, in particular in the writing of the Remuneration Report.

Working methods of the Board of Directors and its committees

The Board of Directors and its committees meet as frequently as business demands. The Board of Directors held ten meetings in 2018, each lasting between one and five hours. The Audit Committee held seven meetings, each lasting between one and three hours, while the Remuneration Committee held five meetings, each lasting between one and two hours.

The Head of Finance (CFO) also attends the meetings of the Board of Directors and the Audit Committee. Other members of Executive Management and Heads of Business Units are invited to attend meetings of the Board of Directors when it discusses matters relevant to their areas of responsibility. To constitute a quorum, a majority of the members of the Board of Directors must be present. The Board of Directors makes decisions and carries out elections with a majority of the members present at the meeting. The Chairman does not have a casting vote. Resolutions can also be passed by telephone, electronic media or circular, provided that no member requests discussion in person. Individual members are obliged to abstain from voting on personal matters or on matters involving persons with whom they are closely associated.

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

3.6 Definition of areas of responsibility

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

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

The Board of Directors receives consolidated quarterly financial statements prepared in accordance with IFRS. Along with the income statement, these mainly provide information on the balance sheet, the cash flow account and changes in equity. Additionally, at the end of each month, the Board of Directors receives a written report from the CEO regarding business performance during

that month and the expected monthly result. On the 4th working day of the following month, it receives the monthly income statement with the most important key figures, which are compared with the budgeted figures and those of the previous year. It is also provided, in the same detail, with monthly updated forecast calculations for the end of the year. This serves to monitor the achievability of the budget. Furthermore, at each meeting of the Board of Directors, the CEO and CFO report on the course of business and on all matters relevant to the Group, while the two committee Chairmen report on the matters they have dealt with, detailing their significant findings and assessment and submitting proposals accordingly. Every year, the Board of Directors discusses and approves the budget for the following year, as well as rolling medium-term planning for the next three years. The CEO informs the members of the Board of Directors of any extraordinary events without delay by circular or other appropriate means. At Board meetings, any member of the Board may request information from other members or from Executive Management on any of the company's affairs. Between meetings of the Board of Directors, any member may request information from the CEO on the course of business, and – with the approval of the Chairman – on specific business events, and/or may inspect business documents. At their own discretion, members of the Board of Directors visit Group companies and participate in the two-monthly Management Meetings held by Executive Management with the Heads of the Business Units in order to form an independent view of the Group's operating activities and the implementation of its strategy. As part of an overall internal audit plan commissioned by the Board of Directors, during the year under review 15 internal audits were conducted by Group Internal Audit, 2 audits by Group Tax and 4 audits by Group Legal, mainly regarding accounting and compliance topics at Group companies. Group Financial Controlling discusses all audit findings in detail with the companies and Business Units concerned, and the most important measures are agreed on. In the event of disagreement between the auditors and the company audited, the different positions are stated transparently. An audit report is prepared containing the overall audit findings. Members of the Audit Committee, the CEO and the CFO each receive a copy of every internal audit report. Following each audit report, the CEO and CFO present the Audit Committee with the measures to be implemented by Group management. All significant measures

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

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

4. Executive Management

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

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

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

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

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

Dr Urs Zimmerli (1977, Swiss citizen, Dr. sc. and Chemical Engineer, ETH Zurich, Engineering Manager, University Hagen, Germany, MBA, Open University, Milton Keynes, United Kingdom) has been a member of Executive Management of the EMS Group since August 2018. Before this he held various leadership positions in production and management of internationally active chemical companies in Europe and Asia. These included Polygal AG up to 2014 as member of executive management and then Archroma, most recently as Head Local Plants Europe.

Darko Radanovic (1976, Swiss/Serbian citizen, Dipl. Sales Manager MKS, Dipl. Techn. Sales Manager KS), has been Business Unit Leader EMS-GRIVORY Europe since the beginning of 2019. Following an apprenticeship as chemistry laboratory assistant with EMS-CHEMIE in Domat/Ems, he started work in 1995 as laboratory assistant in the application development centre/research & development of the EMS Group. Since then he has held various leadership positions in the company and was Business Unit Leader EMS-GRILTECH before becoming a Member of Executive Management for one year.

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

4.3 Number of permitted activities outside the EMS Group

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

4.4 Management contracts

No management contracts with third parties exist.

5. Remuneration, shareholdings and loans

Details about remuneration, participation and loans are given in the Remuneration Report on page 18 and 19, resp. in the appendix to the annual financial statement of the EMS-CHEMIE HOLDING AG in note 3.2.

6. Shareholders' participation

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

6.1 Voting-rights and representation restrictions

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

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

6.2 Statutory quorums

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

6.3 Convocation of the General Meeting of Shareholders

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

6.4 Agenda

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

6.5 Inscriptions into the share register

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

7. Changes in control and defence measures

7.1 Duty to make an offer

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

7.2 Clauses on change of control

There are no clauses relating to change of control.

8. Auditors

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

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

8.2 Audit fees

The EMS Group paid EY a global total of CHF 423 021 for services relating to the audit of the Group's annual financial statements.

8.3 Additional fees

EY charged a global total of approximately CH 15 665 for group data security and support in Asia.

8.4 Information tools pertaining to the external audit

The Audit Committee monitors the independence and performance of the independent statutory auditor on behalf of the Board of Directors and verifies the financial reporting of EMS (regarding the meetings held see section 3.5, page 12). The independent statutory auditor was invited to attend one meeting of the Audit Committee. Executive Management is responsible for financial accounting and continuous financial reporting, including the internal control system. The independent statutory auditor, Ernst&Young AG, is responsible for giving an opinion on whether the accounting records and the annual financial statements comply with Swiss law and the company's Articles of Association. Ernst&Young AG is responsible for providing an assessment of the consolidated financial statements (income statement, statement of comprehensive income, balance sheet, changes in equity, statement of cash flows and notes), in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and with Swiss law. The Audit Committee is also responsible for monitoring the relevant activities of Executive Management and the independent statutory auditor.

9. Information policy

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

Calendar of events of the EMS Group

July 12, 2019:
Half-year report 2019 (Media conference)

August 10, 2019:
Annual General Meeting 2019
of EMS-CHEMIE HOLDING AG

End of August 2019:
Definitive Half-year report 2019

October 2019:
Third-quarter report 2019

February 2020:
Annual results 2019 (Media conference)

April 2020:
First-quarter report 2020

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

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

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Remuneration Report

Remuneration system, competence and method of determining

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

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

The remuneration sum is defined by the Board of Directors at the proposal of the Remuneration Committee and after consultation with the CEO. Variable remuneration components are paid in May of the following year. According to the current contracts, members of the Board of Directors only receive a fixed remuneration. In the reporting year, the variable remuneration component of members of Executive Management amounts on average to 42% of the total remuneration sum (2017/2018: 47%).

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

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

| | | 2018/2019 (CHF '000) | 2017/2018 (CHF '000) |
|---|-----------------------------|-------------------------|-------------------------|
| Board of Directors | Function | Remuneration | |
| Dr U. Berg | Chairman | 242 | 242 |
| M. Martullo | Vice-Chairman and CEO | 236 | 236 |
| Dr J. Streu | Member | 130 | 130 |
| B. Merki | Member | 137 | 137 |
| Ch. Mäder | Member (since 11.8.2018) | 91 | – |
| Total Board of Directors | | 836 | 745 |
| Executive Management | | | |
| Total remuneration paid to the Executive Management was Of this, KCHF 1 329 (2017/2018: KCHF 1 741) was variable remuneration components. The highest remuneration for a member of Executive Management in the reporting year was KCHF 1 093 (2017/2018: KCHF 1 092) and of this, KCHF 575 (2017/2018: KCHF 575) as variable remuneration component, paid to M. Martullo, independent of her remuneration as Member of the Board of Directors. | | 3 141 | 3 666 |
| Total remuneration paid to the Board of Directors and Executive Management was The remuneration is paid exclusively in cash. EMS has no stock option program. | | 3 977 | 4 411 |
| Advisory board | There is no advisory board. | | |
| No remuneration was paid to former members of the Board of Directors or Executive Management in connection with any earlier function within the company. Furthermore, all remuneration for current or former members of the Board of Directors, Executive Management and related parties was paid based on standard market terms. | | | |

Voting of the Annual General Meeting on remuneration

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

Credit Facilities

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

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

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

Proposals to the Annual General Meeting 2019: Approval of the remuneration 2018/2019

Total sum of remuneration to the Board of Directors to be approved: KCHF 836.

Total sum of remuneration to Executive Management to be approved: KCHF 3 141.

Report of the statutory auditor on the remuneration report

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

We have audited the remuneration report of EMS-CHEMIE HOLDING AG for the year ended 30 April 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the table labeled “audited” on page 18 of the remuneration report.

Board of Directors’ responsibility

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

Auditor’s responsibility

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

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

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

Opinion

In our opinion, the remuneration report for the year ended 30 April 2019 of EMS-CHEMIE HOLDING AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd



Willy Hofstetter
Licensed audit expert
(Auditor in charge)



Gianantonio Zanetti
Licensed audit expert

Zurich, 27 June 2019

Consolidated Income Statement

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

Consolidated Statement of Comprehensive Income

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

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

EMS Group
Consolidated Financial Statements
Annual Report 2018/2019

| | Notes | 31.12.2018 (CHF '000) | 31.12.2017* (CHF '000) |
|---|-------|--------------------------|---------------------------|
| NON-CURRENT ASSETS | | 639 675 | 639 638 |
| Intangible assets | 8 | 64 084 | 72 578 |
| Property, plant and equipment | 8 | 547 678 | 541 244 |
| Investments | | 188 | 188 |
| Other non-current assets | 9 | 6 381 | 6 897 |
| Derivative financial instruments | 14 | 6 505 | 539 |
| Deferred income tax assets | 7 | 14 839 | 18 192 |
| CURRENT ASSETS | | 1 517 942 | 1 460 361 |
| Inventories | 10 | 443 958 | 389 095 |
| Trade receivables | 11 | 341 157 | 332 428 |
| Income tax assets | | 6 656 | 6 782 |
| Other current assets* | 12 | 432 357 | 426 950 |
| Derivative and other financial assets* | 13 | 6 881 | 33 556 |
| Cash and cash equivalents | 15 | 286 933 | 271 550 |
| TOTAL ASSETS | | 2 157 617 | 2 099 999 |
| EQUITY | | 1 644 662 | 1 550 410 |
| Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG | | 1 625 076 | 1 524 958 |
| Share capital | 16 | 234 | 234 |
| Treasury shares | | 0 | 0 |
| Retained earnings and reserves | | 1 624 842 | 1 524 724 |
| Equity, attributable to non-controlling interests | 17 | 19 586 | 25 452 |
| LIABILITIES | | 512 955 | 549 589 |
| Non-current liabilities | | 147 785 | 158 940 |
| Derivative financial instruments | 14 | 0 | 2 636 |
| Bank loans | 18 | 45 | 43 |
| Other non-current liabilities | | 16 | 16 |
| Deferred income tax liabilities | 7 | 82 694 | 89 231 |
| Employee benefit liability | 19 | 43 136 | 45 404 |
| Provisions | 20 | 21 894 | 21 610 |
| Current liabilities | | 365 170 | 390 649 |
| Derivative financial instruments | 14 | 972 | 20 639 |
| Bank loans | 18 | 5 447 | 12 487 |
| Trade payables | | 128 913 | 131 769 |
| Income tax liabilities | | 80 185 | 69 044 |
| Provisions | 20 | 1 433 | 635 |
| Other current liabilities | 21 | 148 220 | 156 075 |
| TOTAL EQUITY AND LIABILITIES | | 2 157 617 | 2 099 999 |

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

* see Consolidated accounting principles regarding the restated presentation

Consolidated Statement of Changes in Equity

| (CHF '000) | Share capital | Capital reserves (share premium) | Treasury shares | Retained earnings | Hedging reserves from IFRS 9 | Translation differences | Equity, attributable to shareholders of EMS-CHEMIE HOLDING AG | Equity, attributable to non-controlling interests | Equity |
|--|---------------|----------------------------------|-----------------|-------------------|------------------------------|-------------------------|---|---|------------------|
| At 31.12. 2016 | 234 | 24 279 | (3 540) | 1 495 560 | (5 242) | (106 341) | 1 404 950 | 22 832 | 1 427 782 |
| Net changes from cash flow hedges | | | | | (13 703) | | (13 703) | | (13 703) |
| Actuarial gains from defined benefit pension plans | | | | 15 394 | | | 15 394 | | 15 394 |
| Currency translation differences | | | | | | 29 480 | 29 480 | 516 | 29 996 |
| Other comprehensive income | | | | 15 394 | (13 703) | 29 480 | 31 171 | 516 | 31 687 |
| Net income recognized in income statement | | | | 481 513 | | | 481 513 | 2 887 | 484 400 |
| Comprehensive income | 0 | 0 | 0 | 496 907 | (13 703) | 29 480 | 512 684 | 3 403 | 516 087 |
| Transactions with treasury shares | | 1 397 | 3 540 | | | | 4 937 | | 4 937 |
| Dividends paid | | | | (397 613) | | | (397 613) | (783) | (398 396) |
| At 31.12. 2017 | 234 | 25 676 | 0 | 1 594 854 | (18 945) | (76 861) | 1 524 958 | 25 452 | 1 550 410 |
| Net changes from cash flow hedges | | | | | 29 147 | | 29 147 | | 29 147 |
| Actuarial gains from defined benefit pension plans | | | | 5 237 | | | 5 237 | | 5 237 |
| Currency translation differences | | | | | | (21 184) | (21 184) | (770) | (21 954) |
| Other comprehensive income | | | | 5 237 | 29 147 | (21 184) | 13 200 | (770) | 12 430 |
| Net income recognized in income statement | | | | 519 615 | | | 519 615 | 2 708 | 522 323 |
| Comprehensive income | 0 | 0 | 0 | 524 852 | 29 147 | (21 184) | 532 815 | 1 938 | 534 753 |
| Transactions with treasury shares | | | | | | | 0 | | 0 |
| Dividends paid | | | | (432 697) | | | (432 697) | (7 804) | (440 501) |
| At 31.12. 2018 | 234 | 25 676 | 0 | 1 687 009 | 10 202 | (98 045) | 1 625 076 | 19 586 | 1 644 662 |
| | | | | | | | | 2018 | 2017 |
| Balance sheet equity ratio | | | | | | | | 75.3% | 73.8% |

Capital reserves are not eligible for distribution. Retained earnings include KCHF 47 (2017: KCHF 47) not eligible for distribution.

On February 8, 2019, the company announced that the Board of Directors will propose a dividend payment of CHF 19.75 per each share to the ordinary annual shareholder meeting on August 10, 2019 (CHF 15.50 ordinary dividend, CHF 4.25 extraordinary dividend).

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

Consolidated Statement of Cash Flows

EMS Group
Consolidated Financial Statements
Annual Report 2018/2019

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

Reference numbers indicate corresponding Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Consolidated accounting principles

General information on the consolidated financial statements

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

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

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

Significant estimates and assumptions made by management

Impairment of non-current assets

To ascertain whether impairment has occurred, estimates are made of the expected future cash flows arising from the use and possible disposal of such assets. Significant assumptions are made in relation to such calculations, including sales figures, margins and discounting rates. It is also possible for useful lives expectancies to be reduced, the intended use of property, plant and equipment to change, production sites to be relocated or closed, and production plants to generate lower-than-expected sales in the medium term. The carrying amounts for property, plant and equipment and intangible assets are shown in note 8.

Provisions for litigation risks, environmental risks and other provisions

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

Employee benefits

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

Taxes

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

Changes in accounting policies

The EMS Group has implemented the following new standards effective January 1, 2018:

IFRS 9 Financial instruments
IFRS 15 Revenues from Contracts with Customers

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

IFRS 9 – Financial instruments

The standard deals with the classification, recognition and measurement (including impairment) of financial instruments, the impairment of financial assets, including trade and lease receivables and also introduces a new hedge accounting model. Allowances for doubtful trade receivables are not determined anymore on the basis of historical losses, however on the basis of future expected credit losses. The Group does not anticipate any material changes on the allowances for doubtful receivables due to the new measurement. The adoption of IFRS 9 did not have a material impact on the equity as of January 1, 2018.

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

Balance sheet as of December 31, 2017

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

IFRS 15 – Revenues from Contracts with Customers
The EMS Group adopted the new standard as of January 1, 2018. The new standard contains a

new set of principles on when and how to recognise and measure revenue as well as new requirements related to presentation. The core principle in that framework is that revenue should be recognised dependent on the transfer of promised goods or services to the customer for an amount that reflects the consideration to which should be received in exchange for those goods or services. Revenue is recognised according to IFRS 15 when the control over the goods or services is transferred to the customer. This can be at a point in time or over time. The adoption of the new standard has no effect on the revenue recognition of the Group for the net sales revenue reported in 2017 and therefore no restatement is necessary. However, IFRS 15 requires a separate disclosure of contract assets and contract liabilities on the balance sheet.

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

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

Standards issued but not yet effective

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

IFRS 16 – Leases

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

The new leasing standard released by IASB removes the distinction between finance and operating leases for lessees. The application of the standard recorded on the balance sheet will increase the assets (right-of-use asset) and the liabilities of CHF 19 million. The application of the new standard will result in part of what is currently reported as operating lease costs being recorded as interest expenses. Given the leases involved and the prevailing low interest rate environment the EMS Group does not currently expect this effect to be material.

Consistency

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

Scope of consolidation

The scope of consolidation includes all companies in and outside Switzerland which are controlled – directly or indirectly – by EMS-CHEMIE HOLDING AG, either by it holding more than 50% of the voting rights or by contracts or other agreements (see note 32 “List of subsidiaries”).

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

Method of consolidation

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

accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

In the case of disposal of companies the deconsolidation is effected through the income statement as of the date when control is relinquished. The companies’ results are then included in the consolidation up to such date.

Balance sheet date

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

Valuation principles

The consolidated financial statements are based on historical costs. Exceptions are securities and derivative financial instruments, which are measured at fair value, as well as employee benefit assets and liabilities, which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

Intangible assets (excluding goodwill)

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

Goodwill

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

Property, plant and equipment

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

An impairment loss is recorded when the carrying amount exceeds the recoverable amount.

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

Depreciation periods are as follows:

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

Leases

There are no assets held under leasing agreements which may be considered as an asset purchase in economic terms (finance lease) in the EMS Group. Payments on leased assets defined as "operating lease" and having a rental character are expensed over the lease period. The details to the "operating leases" are shown in Note 29.

Investments

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

Inventories

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

Financial Assets – classifications and categories

The classification of financial assets is dependent on the business model for managing the financial

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

Trade receivables

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

Securities

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

Cash and cash equivalents

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

Other current financial assets

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

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

Non-current bank loans

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

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

Liabilities and deferred income

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

Provisions

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

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

Employee benefits

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

or in case of death, depending on the regulations of the individual pension funds.

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

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

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

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

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

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

Remeasurements comprise:

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

amounts included in net interest income or expense.

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

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

Derivative financial instruments

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

Hedge accounting

Hedge accounting as defined by IFRS 9 is used for the hedging of currency risks. This includes the use of cash flow hedges, which hedge future purchases and sales in foreign currencies with a high likelihood of occurrence. At initial recognition of cash flow hedges, the effective portion of the gain/loss of the hedging instrument is recognized in other comprehensive income and the ineffective portion immediately in the income statement. Gains and losses from cash flow hedges shown in equity are transferred to the income statement on the date on which the forecasted transaction is recorded in the income statement.

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

Net sales revenue

Invoicing for goods and services is recognised as sales at the point in time when the control over the goods is transferred to the customer. The performance obligations primarily consist of the delivery of manufactured products (polymers) to the agreed specifications depending on contractual terms. In the EMS Group more than 90% of the net sales are recognised according to the following five international commercial terms: CIP (Carriage and Insurance Paid), FCA (Free Carrier), CIF (Cost, Insurance and Freight), EXW (EX Works) and DAP (Delivered at Place). Net sales revenue is stated

after deduction of value added taxes and any deduction of discounts and credits.

A minor part of the net sales revenue is recognized over time, which is related to rendered services in regards to the project business (long-term construction contracts) in the segment High Performance Polymers.

Research and development costs

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

Impairment

The carrying amounts of property, plant and equipment and of intangible assets are reviewed as of the balance sheet date. If there are any indications of permanent impairment, the recoverable amount is determined. The recoverable amount corresponds to the higher of the fair value less costs to sell or the value in use. In cases where the carrying amount is higher than the recoverable amount, the difference is booked in the income statement.

For the impairment test the corporate assets are collected at the lowest level, for which cash flows can be identified separately (cash-generating units).

For estimating the value in use, the future cash flows are discounted to the present value with a discount rate before taxes which includes the current market expectations, the time value of money and the specific risks of the assets.

Fair values

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

Foreign currencies

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

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

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

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

The most important exchange rates are:

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

Income taxes

Current income taxes are calculated on the taxable profit.

Deferred income taxes are recognized to reflect the tax impact on differences in the valuation of assets and liabilities for Group consolidation purposes and for local taxation purposes and are recog-

nized in the consolidated income statement, unless they relate to a transaction which is recognized in equity or other comprehensive income. These deferred income taxes are continuously adjusted to take account of any changes to local fiscal law. Deferred income taxes are set up using the balance sheet liability method, under which deferred tax assets or liabilities are set up for all temporary differences between the tax values and the values entered in the consolidated financial statements. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Earnings per share

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

Segment reporting

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

Financial risk management

General

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

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

Credit risks

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

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

Liquidity risks

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

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

Market risks

Interest rate risks

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

This risk is not hedged.

Currency risks

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

Other price risks: securities risks

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

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

Capital management

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

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

Capital is monitored on the basis of the equity ratio, which is calculated as being equity (including non-controlling interests) as a percentage of total assets. The balance sheet equity ratio is 75.3% as at December 31, 2018 (December 31, 2017: 73.8%). The EMS Group has no external minimum capital requirements.

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

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

Segment Information

Segment information by business area

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

No net sales revenues exist between the segments.

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

Segment information by geographical region

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

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

Most important customers

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

¹⁾ See note 8.

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

³⁾ Segmented liabilities: Liabilities without current and non-current bank loans.

Consolidated Income Statement

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|-------|--|--------------------|
| 1 | Capitalized costs and other operating income | |
| | Capitalized costs | 13 001 |
| | Other operating income | 18 328 |
| | Total capitalized costs and other operating income | 31 329 |
| 2 | Personnel expenses | |
| | Wages and salaries | 186 855 |
| | Subcontractor salaries | 12 671 |
| | Expenses for defined benefit plans (see note 18) | 9 198 |
| | Legal/contractual social insurance | 27 503 |
| | Other personnel expenses | 7 500 |
| | Total personnel expenses | 243 727 |
| 3 | Other operating expenses | |
| | Rents | 6 332 |
| | Leasing | 3 636 |
| | Repairs and maintenance | 30 510 |
| | Insurance, duties, fees | 7 079 |
| | Energy | 36 861 |
| | Administration, promotion | 30 197 |
| | Losses on disposal of property, plant and equipment, net | 1 914 |
| | Supplies | 6 697 |
| | Other operating expenses | 6 053 |
| | Total other operating expenses | 129 279 |
| 4 | Research and development | |
| | Expenditures for research and development amount to | 53 792 |
| | In percent of net sales revenue | 2.3% |
| 5 | Financial income | |
| | Other interest income | 396 |
| | Interest income on loans and receivables | 2 |
| | Total interest income | 398 |
| | Foreign exchange gains, net | 0 |
| | Total financial income | 398 |

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

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

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

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

Breakdown of the income tax expenses

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

| Notes | 2018 (CHF '000) | | 2017 (CHF '000) | |
|---|----------------------------------|---------------------------------------|----------------------------------|---------------------------------------|
| | Deferred income tax assets | Deferred income tax liabilities | Deferred income tax assets | Deferred income tax liabilities |
| Deferred income taxes: Change in recognized assets/liabilities | | | | |
| At 1. 1. | 18 192 | 89 231 | 25 539 | 97 228 |
| Increase/Decrease via income statement | (2 312) | (6 202) | (6 143) | (10 867) |
| Increase/Decrease via other comprehensive income/Equity | (1 073) | 2 476 | (1 272) | 836 |
| Translation differences | 32 | (2 811) | 68 | 2 034 |
| At 31. 12. | 14 839 | 82 694 | 18 192 | 89 231 |
| Note to the deferred income tax | | | | |
| Calculation according to the "balance sheet liability method": | | | | |
| Deferred income taxes on non-current assets | 0 | 66 517 | 0 | 76 820 |
| Deferred income taxes on current assets | 0 | 11 407 | 0 | 4 790 |
| Deferred income taxes on liabilities | 0 | 4 770 | 0 | 7 621 |
| Deferred income taxes on pension liabilities | 5 082 | 0 | 5 317 | 0 |
| Deferred income taxes on provisions and accruals | 9 757 | 0 | 12 875 | 0 |
| Total deferred income tax liabilities | 14 839 | 82 694 | 18 192 | 89 231 |
| Deferred income taxes on non-current assets affect mainly property, plant and equipment, on current assets inventories. | | | | |
| As at December 31, 2018, temporary differences of KCHF 17 250 (2017: KCHF 16 868) existed from investments in subsidiaries. A deferred tax liability was not recognized as the Group controls the date of the reversal of the related contingent temporary differences and does not expect them to be realized in the near future. | | | | |
| Tax loss carryforwards | | | | |
| | Tax loss carryforwards | Tax effect | Tax loss carryforwards | Tax effect |
| Total tax loss carryforwards for which no deferred income taxes were recognized | 25 114 | 5 311 | 24 538 | 6 053 |
| Of which to be carried forward for up to: | | | | |
| 1 year | 5 751 | 887 | 5 784 | 1 446 |
| 2 years | 2 177 | 582 | 2 404 | 742 |
| 3 years | 352 | 120 | 409 | 139 |
| 4 years | 5 065 | 1 722 | 5 887 | 2 002 |
| 5 years | 0 | 0 | 0 | 0 |
| More than 5 years | 11 769 | 2 001 | 10 054 | 1 724 |

Notes

8 Intangible assets, property, plant and equipment, investments

I. Intangible assets

| | Goodwill | Customer and supplier relationships | Others | Total |
|---|----------|---|----------|----------|
| (CHF '000) | | | | |
| At 1.1.2017 | 50 892 | 22 363 | 4 822 | 78 077 |
| Cost | 50 892 | 47 705 | 29 292 | 127 889 |
| Accumulated amortization and impairment | 0 | (25 342) | (24 470) | (49 812) |
| Net book value | 50 892 | 22 363 | 4 822 | 78 077 |
| 2017 | | | | |
| At 1.1. | 50 892 | 22 363 | 4 822 | 78 077 |
| Additions | 0 | 0 | 207 | 207 |
| Disposals | 0 | 0 | 0 | 0 |
| Amortization | 0 | (7 186) | (884) | (8 070) |
| Reclassifications | 0 | 0 | 478 | 478 |
| Translation differences | (354) | 2 137 | 103 | 1 886 |
| At 31.12. | 50 538 | 17 314 | 4 726 | 72 578 |
| Cost | 50 538 | 53 223 | 29 762 | 133 523 |
| Accumulated amortization and impairment | 0 | (35 909) | (25 036) | (60 945) |
| Net book value | 50 538 | 17 314 | 4 726 | 72 578 |
| 2018 | | | | |
| At 1.1. | 50 538 | 17 314 | 4 726 | 72 578 |
| Additions | 0 | 0 | 358 | 358 |
| Disposals | 0 | 0 | (27) | (27) |
| Amortization | 0 | (7 470) | (1 134) | (8 604) |
| Reclassifications | 0 | 0 | 273 | 273 |
| Translation differences | 57 | (455) | (96) | (494) |
| At 31.12. | 50 595 | 9 389 | 4 100 | 64 084 |
| Cost | 50 595 | 50 943 | 29 852 | 131 390 |
| Accumulated amortization and impairment | 0 | (41 554) | (25 752) | (67 306) |
| Net book value | 50 595 | 9 389 | 4 100 | 64 084 |

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

Impairment test for goodwill:

The cash generating unit for the impairment test of the total goodwill of KCHF 50 595 (2017: KCHF 50 538) is the Business Unit EMS-EFTEC (business area "High Performance Polymers"). Its recoverability is tested yearly on the basis of future cash flows. The recoverable amount calculated by impairment testing is based on the value in use.

The following assumptions form the basis:

- The cash flows for the first three years were determined on the basis of medium-term plans.
- The cash flows of the following years were calculated with an annual growth rate of 2% (2017: 2%).
- The discount rate before taxes is 9% (2017: 7%).

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

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

Notes

II. Property, plant and equipment

| (CHF '000) | Land incl. development cost | Buildings | Technical plant, machinery, R&D plants | Furniture, EDP equipment, vehicles | Plant under construction | Total |
|--|--------------------------------------|-----------|---|---|-----------------------------|-----------|
| At 1.1. 2017 | 20 751 | 127 016 | 276 131 | 21 190 | 88 215 | 533 303 |
| Cost | 22 975 | 321 677 | 981 151 | 69 053 | 88 215 | 1 483 071 |
| Accumulated depreciation and impairment | (2 224) | (194 661) | (705 020) | (47 863) | 0 | (949 768) |
| Net book value | 20 751 | 127 016 | 276 131 | 21 190 | 88 215 | 533 303 |
| 2017 | | | | | | |
| At 1.1. | 20 751 | 127 016 | 276 131 | 21 190 | 88 215 | 533 303 |
| Additions | 0 | 228 | 1 904 | 1 599 | 45 332 | 49 063 |
| Disposals | 0 | (176) | (763) | (325) | (200) | (1 464) |
| Depreciation | (117) | (6 651) | (32 197) | (5 958) | (1) | (44 924) |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 1 351 | 25 737 | 67 478 | 2 721 | (97 765) | (478) |
| Translation differences | 480 | 2 584 | 1 771 | 655 | 254 | 5 744 |
| At 31.12. | 22 465 | 148 738 | 314 324 | 19 882 | 35 835 | 541 244 |
| Cost | 24 831 | 350 625 | 1 053 247 | 73 314 | 35 836 | 1 537 853 |
| Accumulated depreciation and impairment | (2 366) | (201 887) | (738 923) | (53 432) | (1) | (996 609) |
| Net book value | 22 465 | 148 738 | 314 324 | 19 882 | 35 835 | 541 244 |
| 2018 | | | | | | |
| At 1.1. | 22 465 | 148 738 | 314 324 | 19 882 | 35 835 | 541 244 |
| Additions | 4 | 1 021 | 4 468 | 3 191 | 51 128 | 59 812 |
| Disposals | (69) | (456) | (3 079) | (921) | (13) | (4 538) |
| Depreciation | (100) | (5 748) | (32 908) | (5 820) | (1) | (44 577) |
| Impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | 0 | 6 436 | 28 838 | 4 152 | (38 175) | 1 251 |
| Translation differences | (519) | (2 748) | (1 587) | (508) | (152) | (5 514) |
| At 31.12. | 21 781 | 147 243 | 310 056 | 19 976 | 48 622 | 547 678 |
| Cost | 24 191 | 351 838 | 1 050 405 | 67 252 | 48 623 | 1 542 309 |
| Accumulated depreciation and impairment | (2 410) | (204 595) | (740 349) | (47 276) | (1) | (994 631) |
| Net book value | 21 781 | 147 243 | 310 056 | 19 976 | 48 622 | 547 678 |

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|--|--------------------|--------------------|
| 9 Other non-current assets | | |
| Other non-current assets | 404 | 778 |
| Assets from employee benefits (see note 19) | 5 977 | 6 119 |
| Total other non-current assets | 6 381 | 6 897 |
| Other non-current assets mainly comprise loans to third parties. | | |
| 10 Inventories | | |
| Raw materials and supplies | 207 929 | 169 408 |
| Semi-finished goods, work in progress | 9 890 | 11 356 |
| Finished products | 240 622 | 216 991 |
| Value adjustments | (14 483) | (8 660) |
| Total inventories | 443 958 | 389 095 |
| 11 Trade receivables | | |
| Trade receivables from third parties | 348 377 | 339 996 |
| Allowances for doubtful receivables | (7 220) | (7 568) |
| Total trade receivables | 341 157 | 332 428 |

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

Due dates of trade receivables and allowance matrix.

| | Default rate in % | 2018 | | 2017 | |
|-----------------------|-------------------|-------------|-----------|-------------|-----------|
| | | Gross value | Allowance | Gross value | Allowance |
| Not due | 1 % | 295 807 | (2 916) | 311 994 | |
| Overdue <30 days | 4 % | 46 700 | (1 868) | 20 960 | |
| Overdue 30 to 60 days | 6 % | 1 843 | (1 111) | 2 773 | |
| Overdue 60 to 90 days | 20 % | 987 | (1 97) | 1 088 | |
| Overdue >90 days | 70 % | 3 040 | (2 128) | 3 181 | |
| Total | | 348 377 | (7 220) | 339 996 | (7 568) |

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|--|--------------------|--------------------|
| Change in allowances of trade receivables | | |
| | 2018 | 2017 |
| At 1.1. | 7 568 | 7 023 |
| Increase in allowances | 1 924 | 4 331 |
| Decrease in allowances | (1 993) | (4 240) |
| Losses on trade receivables | (116) | (1 277) |
| Reclassifications | (1 877) | (2 963) |
| Translation differences | (279) | 454 |
| At 31.12. | 7 220 | 7 568 |
| 12 Other current assets | | |
| Withholding tax receivables | 369 765 | 368 888 |
| Prepayments and accrued income | 12 202 | 12 700 |
| Contract assets* | 15 568 | 15 392 |
| Other receivables | 34 822 | 29 970 |
| Total other current assets | 432 357 | 426 950 |
| * see Consolidated accounting principles regarding the restated presentation | | |
| There is no allowance on Contract assets calculated because the expected default rate is 0%. | | |
| 13 Other current financial instruments* | | |
| Derivative financial instruments | 5 538 | 2 182 |
| Other current financial assets | 1 343 | 31 374 |
| Total Other current financial assets | 6 881 | 33 556 |
| * see Consolidated accounting principles regarding the restated presentation | | |

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

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

Derivative financial instruments were mostly effected for hedging purposes. Forward rate agreements are used for the hedging of future purchases and sales in foreign currencies. The replacement value is understood to be the fair value of derivative financial instruments. Positive replacement values are the values that are lost if the counterparty cannot deliver (maximum default risk). This risk is considered to be minimal, as the counterparties are first-rate financial institutions. Any derivatives are reported at fair value.

| Notes | 2018 (CHF '000) | 2017 (CHF '000) | | | |
|--|--------------------|--|------------------------------|---|-----------------------------|
| Net changes from cash flow hedges in equity, after taxes | | | | | |
| At 1.1. | (18 945) | (5 242) | | | |
| Transfer to consolidated income statement | (711) | 782 | | | |
| Fair value adjustments | 32 334 | (15 649) | | | |
| Income taxes recognized directly in equity | (2 476) | 1 164 | | | |
| Total net changes from cash flow hedges in equity, after taxes | 29 147 | (13 703) | | | |
| At 31.12. | 10 202 | (18 945) | | | |
| 15 Cash and cash equivalents | | | | | |
| Deposits | 285 718 | 271 024 | | | |
| Cash and cash equivalents | 1 215 | 526 | | | |
| Total cash and cash equivalents | 286 933 | 271 550 | | | |
| 16 Share capital | | | | | |
| | Par value | Number of issued registered shares | Number of treasury shares | Number of shares entitled to dividend | Share capital (CHF '000) |
| At 31.12. 2016 | CHF 0.01 | 23 389 028 | 7 751 | 23 381 277 | 234 |
| Purchase of treasury shares | | – | 0 | 0 | – |
| Sale of treasury shares | | – | (7 751) | 7 751 | – |
| At 31.12. 2017 | CHF 0.01 | 23 389 028 | 0 | 23 389 028 | 234 |
| Purchase of treasury shares | | – | 0 | 0 | – |
| Sale of treasury shares | | – | 0 | 0 | – |
| At 31.12. 2018 | CHF 0.01 | 23 389 028 | 0 | 23 389 028 | 234 |
| 17 Non-controlling interests | | | | | |
| This item reflects the non-controlling interest in capital and profit/loss for the year. Non-controlling interest exist at EFTEC China Ltd., EMS-UBE and Wuhu EFTEC Chemical Products Ltd. | | | | | |
| The change in non-controlling interests is as follows: | | | | | |
| At 1.1. | | | | 25 452 | 22 832 |
| Dividends paid | | | | (7 804) | (783) |
| Net income | | | | 2 708 | 2 887 |
| Translation differences | | | | (770) | 516 |
| At 31.12. | | | | 19 586 | 25 452 |

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

19 Employee benefit liability

All Swiss group entities have their individual, legally independent pension funds. The board of trustees of each pension fund is the body charged with governance and comprises an equal number of employee and employer representatives. The board of the pension fund is required by law and by regulations of the pension fund to act in the best interest of the pension fund and its beneficiaries. Resolutions must be passed on a basis of parity. The board is responsible for the determination of and any adjustments to be made to the pension regulations as well as for determining the funding requirements of the plan. The funding requirements are subject to the legal minimum requirements of the Swiss Federal Law on Occupational Retirement, Surviving Dependents and Disability Pension (BVG) and its implementing provisions. The minimum insured salary and the minimum retirement credits are defined in the BVG. The minimum interest rate which has to be applied to these minimum retirement assets is determined by the Swiss Federal Council at least every two years. In 2018, the minimum interest rate was 1.00% (2017: 1.00%).

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

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

The pension benefits are based on the pension balance. Retirement credits and interest are added to this balance annually. At the time of retirement, the insured individual can choose between either a lifelong annuity or a capital payment. The annuity is calculated by multiplication of the pension

balance with the currently applicable conversion rate. In addition to the retirement benefits, pension benefits include disability benefits and widow's and/or orphans' pension. These are calculated as a percentage of the insured annual salary.

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

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

Beginning January 1, 2018, the conversion rate was reduced from 5.4821 % to 5.0891 %. As a result of this change, the Group's defined benefit liability was reduced by KCHF 6 695. The corresponding income from past service costs was recognized in the consolidated income statement during the year 2017.

Balance sheet reconciliation

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

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

Notes

Movement in net defined benefit (asset)/liability

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

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

| | 2018 (CHF '000) | 2017 (CHF '000) |
|-------------------|--------------------|--------------------|
| Plan assets | | |
| Liquidity | 1 172 270 | 1 422 246 |
| Bonds CHF* | 41 768 | 40 642 |
| Bonds EUR* | 0 | 0 |
| Swiss shares* | 19 277 | 23 708 |
| Shares abroad* | 25 703 | 13 547 |
| Property | 97 993 | 94 831 |
| Mortgages, loans | 6 426 | 6 774 |
| Other investments | 12 852 | 16 934 |
| Total | 321 289 | 338 681 |

* Plan assets with market prices.

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

Sensitivity analysis

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

| | | |
|----------------------------|----------|----------|
| Discount rate +0.5% | (22 352) | (23 962) |
| Discount rate -0.5% | 25 200 | 27 040 |
| Future salary growth +0.5% | 1 040 | 1 122 |
| Future salary growth -0.5% | (1 075) | (1 145) |
| Life expectancy +1 year | 10 322 | 11 082 |
| Life expectancy -1 year | (10 670) | (11 441) |

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

20 Provisions

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

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

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

Warranty provisions are mainly included within other provisions.

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

The provisions are not discounted as the time value of money is not material. In relation to the total provisions the interest effect would be < 5 % as per December 31, 2018.

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|--|--------------------|--------------------|
| 21 Other current liabilities | | |
| Contract liabilities * | 7 696 | 6 107 |
| Prepaid expenses and deferred income | 84 493 | 97 064 |
| Liabilities to social security institutions | 1 834 | 2 433 |
| Other current liabilities | 54 197 | 50 471 |
| Total other current liabilities | 148 220 | 156 075 |
| * see Consolidated accounting principles regarding the restated presentation In 2018 sales of CHF 6 million are booked out of contract liabilities (2017: CHF 3 million). | | |
| 22 Liabilities, net/(net cash position) | | |
| Bank loans (see note 18) | 5 491 | 12 530 |
| Hedges with a negative replacement value (see note 14) | 972 | 23 275 |
| Liabilities | 6 463 | 35 805 |
| less | | |
| Other short-term financial assets (see note 13) | (1 343) | (31 374) |
| Hedges with a positive replacement value (see note 14) | (12 043) | (2 721) |
| Interest-bearing financial assets | (370 170) | (369 667) |
| Cash and cash equivalents (see note 15) | (286 933) | (271 550) |
| Liabilities, net/(net cash position) | (664 026) | (639 507) |

Consolidated Statement of Cash flows and further details

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|---|--------------------|--------------------|
| 23 Depreciation, amortization and impairment of intangible assets and property, plant and equipment | | |
| Amortization intangible assets | 8 604 | 8 070 |
| Depreciation property, plant and equipment | 44 577 | 44 924 |
| Total depreciation, amortization and impairment of intangible assets and property, plant and equipment | 53 181 | 52 994 |
| For the breakdown of the depreciation, amortization and impairment of intangible assets and property, plant and equipment please refer to note 8 and to the segment reporting. | | |
| 24 Contingent liabilities | | |
| Contingent liabilities at the end of the year amount to | 27 873 | 22 191 |
| This mainly relates to issued guarantees. No legal proceedings are known to be in progress within the EMS Group which could have a significant impact on the Group's financial position in excess of the provisions booked in the balance sheet (see note 20). | | |
| 25 Earnings per share – EPS | | |
| Earnings per share are calculated by dividing the net income attributable to the shareholders of EMS-CHEMIE HOLDING AG by the weighted average number of shares outstanding (excluding treasury shares). Diluted earnings per share factor in any potential dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues. | | |
| Details of earnings per share: | | |
| Basic earnings per share | | |
| Weighted average of registered shares outstanding | 23 389 028 | 23 387 951 |
| Net income, attributable to the shareholders of EMS-CHEMIE HOLDING AG | 519 615 | 481 513 |
| Basic earnings per share (CHF) | 22.22 | 20.59 |
| There is no earnings dilution; diluted earnings per share correspond to basic earnings per share. | | |

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|---|--------------------|--------------------|
| 26 Significant shareholders | | |
| EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2017: 14 224 143 registered shares) Amount of holding | 60.82% | 60.82% |
| Miriam Baumann-Blocher, 2 100 000 registered shares (2017: 2 079 000 registered shares) Amount of holding | 8.98% | 8.89% |
| 27 Transactions with related parties | | |
| EMESTA HOLDING AG, Zug (majority shareholder), the pension funds, members of the Board of Directors and members of the Executive Management as well as the close members of their families and associated companies are regarded as related parties. | | |
| The members of the Board of Directors or Executive Management as well as the close members of their families did not receive any credits, advances or other types of loans. No related party transactions took place with them. | | |
| The bonuses included in the reporting year consist of the bonuses estimated in the reporting year. The definitive bonuses for the reporting year are announced after the publication of this financial report and are presented in the remuneration report 2018/2019. | | |
| Breakdown of the total compensation | | |
| Short-term employee benefits to the members of the Board of Directors and Executive Management | 3 900 | 4 400 |
| Share-based payment | 0 | 0 |
| Termination benefits | 0 | 0 |
| Post-employment benefits | 0 | 0 |
| Other long-term employee benefits | 0 | 0 |
| Total compensation | 3 900 | 4 400 |
| Neither the members of the Board of Directors and the Executive Management nor their related parties have any conversion rights or options in EMS-CHEMIE HOLDING AG. | | |
| The detailed disclosures of compensation as per Swiss law can be found in the remuneration report. | | |

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|---|--------------------|--------------------|
| 28 Financial Risk Management | | |
| Credit risks | | |
| Overview of financial assets | | |
| Other non-current financial assets (see note 9) | 404 | 778 |
| Trade receivables (see note 11) | 341 157 | 332 428 |
| Derivative financial instruments (see note 14) | 12 043 | 2 721 |
| Other short-term financial assets (see note 13) | 1 343 | 31 374 |
| Cash and cash equivalents (see note 15) | 286 933 | 271 550 |
| Total financial assets | 641 880 | 638 851 |

The maximum credit risk is equal to the carrying amount of the respective assets. There are no collateralized financial assets. For the analysis of due dates and allowances for doubtful trade receivables, see note 11.

Liquidity risks

The maturity date of financial liabilities is as follows:

| At 31.12. 2018 (CHF '000) | Carrying amount | Contractual Cash flows | <1 year | Maturity date 1–5 years | >5 years |
|--|--------------------|---------------------------|----------------|----------------------------|----------|
| Non-derivative financial liabilities: | | | | | |
| Current bank loans (see note 18) | 5 447 | 5 464 | 5 464 | 0 | 0 |
| Non-current bank loans (see note 18) | 45 | 48 | 1 | 47 | 0 |
| Trade payables | 128 913 | 128 913 | 128 913 | 0 | 0 |
| Prepaid expenses and deferred income (see note 21) | 46 333 | 46 333 | 46 333 | 0 | 0 |
| Derivative financial liabilities: | | | | | |
| Derivative financial instruments (see note 14) | 972 | 648 544 | 489 515 | 159 030 | 0 |
| Total financial liabilities | 181 710 | 829 302 | 670 226 | 159 077 | 0 |

Liquidity risks

The maturity date of financial liabilities is as follows:

| At 31.12. 2017 (CHF '000) | Carrying amount | Contractual Cash flows | <1 year | Maturity date 1–5 years | >5 years |
|--|--------------------|---------------------------|----------------|----------------------------|----------|
| Non-derivative financial liabilities: | | | | | |
| Current bank loans (see note 18) | 12 487 | 12 558 | 12 558 | 0 | 0 |
| Non-current bank loans (see note 18) | 43 | 45 | 1 | 44 | 0 |
| Trade payables | 131 769 | 131 769 | 131 769 | 0 | 0 |
| Prepaid expenses and deferred income (see note 21) | 55 539 | 55 539 | 55 539 | 0 | 0 |
| Derivative financial liabilities: | | | | | |
| Derivative financial instruments (see note 14) | 23 275 | 669 213 | 413 125 | 256 088 | 0 |
| Total financial liabilities | 223 113 | 869 124 | 612 992 | 256 132 | 0 |

Notes

Market risks

Interest rate risks

Sensitivity analysis of interest rate risks

The bank loans have variable interest rates. No derivative financial instruments on interest rates are used. A 100 basis point rise in the interest rate for deposits and bank loans would increase net income after taxes by CHF 2.3 million (2017: CHF 2.1 million). A 100 basis point fall in the interest rate for deposits and bank loans would increase net income after taxes by CHF 0.3 million (2017: CHF 0.5 million decrease).

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

Currency risks

Overview currency exposure, net

| At 31.12. 2018 (CHF '000) | CHF | EUR | USD | JPY | CNY | Other currencies |
|--|--------|-----------|-----------|----------|----------|---------------------|
| Trade receivables (see note 11) | 2 413 | 177 437 | 67 738 | 16 300 | 57 053 | 23 595 |
| Loans to group companies | 16 775 | 149 917 | 5 091 | 12 323 | 0 | 9 993 |
| Trade payables | (395) | (53 382) | (34 293) | (11 863) | (11 429) | (4 977) |
| Loans from group companies | 0 | 0 | 0 | 0 | 0 | 0 |
| Current bank loans (see note 18) | 0 | 0 | 0 | (5 447) | 0 | 0 |
| Non-current bank loans (see note 18) | 0 | 0 | 0 | (45) | 0 | 0 |
| Derivative financial instruments (see note 14) | 0 | (380 331) | (209 924) | 8 740 | (24 330) | 17 472 |
| Currency exposure, net | 18 793 | (106 359) | (171 388) | 20 008 | 21 294 | 46 083 |

| At 31.12. 2017 (CHF '000) | CHF | EUR | USD | JPY | CNY | Other currencies |
|--|---------|-----------|----------|----------|----------|---------------------|
| Trade receivables (see note 11) | 2 078 | 163 932 | 67 333 | 16 476 | 62 215 | 24 471 |
| Loans to group companies | 16 911 | 236 081 | 3 202 | 9 364 | 0 | 10 730 |
| Trade payables | (731) | (63 545) | (24 960) | (10 107) | (10 745) | (10 988) |
| Loans from group companies | (2 460) | 0 | 0 | 0 | 0 | 0 |
| Current bank loans (see note 18) | 0 | 0 | 0 | (11 705) | (782) | 0 |
| Non-current bank loans (see note 18) | 0 | 0 | 0 | (43) | 0 | 0 |
| Derivative financial instruments (see note 14) | 0 | (514 670) | (48 561) | 21 235 | (41 986) | 26 521 |
| Currency exposure, net | 15 798 | (178 202) | (2 986) | 25 220 | 8 702 | 50 734 |

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

A 10% increase/(decrease) in the Swiss franc (CHF) against all other currencies would increase/(decrease) equity after taxes by CHF +31.8 million (2017: CHF +35.2 million decrease/(increase)). Per currency: EUR: CHF +12.6 million (2017: CHF +32.8 million), USD: CHF +19.4 million (2017: CHF +4.2 million), JPY: CHF –1.9 million (2017: CHF –2.9 million), CNY: CHF +1.7 million. (2017: CHF +2.0 million), other currencies: CHF +0.0 million (2017: CHF –0.9 million).

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

Financial assets/liabilities: fair value hierarchy

| At 31.12.2018 (CHF '000) | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|--------|
| Financial assets: | | | | |
| Derivative financial instruments (see note 14) | | 12 043 | | 12 043 |
| Financial liabilities: | | | | |
| Derivative financial instruments (see note 14) | | (972) | | (972) |

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

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

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

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

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

Categories of financial assets and liabilities

The carrying amounts of financial assets and liabilities correspond approximately to the fair values in accordance with IFRS. Regarding the fair values of bank loans see note 18.

| Notes | 2018 (CHF '000) | 2017 (CHF '000) |
|---|--------------------|--------------------|
| Cash and cash equivalents (see note 15) | 286 933 | 271 550 |
| Other short-term financial assets (see note 12) | 1 343 | 31 374 |
| Other non-current assets (see note 9) | 404 | 778 |
| Trade receivables (see note 11) | 341 157 | 332 428 |
| Loans and receivables | 342 904 | 364 580 |
| Derivative financial instruments (assets; see note 13) | 12 043 | 2 721 |
| Non-current bank loans (see note 18) | 45 | 43 |
| Current bank loans (see note 18) | 5 447 | 12 487 |
| Trade payables | 128 913 | 131 769 |
| Prepaid expenses and deferred income (see note 21) | 46 333 | 55 539 |
| Financial liabilities measured at amortized cost | 180 738 | 199 838 |
| Derivative financial instruments (liabilities; see note 14) | 972 | 23 275 |

29 Leasing

Leasing contracts where the lease transfers substantially all the risks and rewards incidental to ownership are treated as finance lease. All other leasing contracts were considered "operating leases".

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

| | 2018 (CHF '000) | 2017 (CHF '000) |
|----------------------------|--------------------|--------------------|
| Minimum lease payments | | |
| Less than 1 year | 3 896 | 3 726 |
| 1 to 5 years thereafter | 10 187 4 841 | 11 813 6 824 |
| Total | 18 924 | 22 363 |

The lease agreements concern mainly buildings and cars.

30 Change in scope of consolidation

2018

Additions:

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

2017

Additions:

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

31 Subsequent events

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

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

Notes

32 List of subsidiaries (at 31.12.2018)

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

| Currency | Share capital (in '000) | Amount of holding | Category | Consolidation |
|----------|-------------------------|-------------------|----------|---------------|
| CHF | 234 | | D | K |
| CHF | 60 | 100.00% | D | K |
| CHF | 100 | 100.00% | D | K |
| CHF | 100 | 100.00% | V, D | K |
| EUR | 1951 | 100.00% | V | K |
| GBP | 1530 | 100.00% | V | K |
| JPY | 210000 | 100.00% | V | K |
| JPY | 1 500 000 | 66.65% | P, V | K |
| KRW | 113 000 | 100.00% | V | K |
| EUR | 1 300 | 100.00% | V | K |
| CHF | 50 | 100.00% | D | K |
| CHF | 100 | 100.00% | P | K |
| TWD | 281 000 | 100.00% | P, V | K |
| CNY | 5 000 | 100.00% | V | K |
| CNY | 98 693 | 100.00% | P, V | K |
| CNY | 3 000 | 100.00% | V | K |
| USD | 750 | 100.00% | D | K |
| USD | 3 385 | 100.00% | P, V | K |
| USD | 38 222 | 100.00% | P, V | K |
| CHF | 8 000 | 100.00% | D | K |
| EUR | 200 | 100.00% | V, D | K |
| EUR | 100 | 100.00% | V, D | K |
| CNY | 886 | 100.00% | P, V | K |
| CNY | 765 | 100.00% | P, V | K |
| CHF | 2 500 | 100.00% | P, V | K |
| EUR | 8 | 100.00% | V | K |
| BRL | 541 | 100.00% | P, V | K |
| RUB | 37 514 | 100.00% | P, V | K |
| RUB | 37 200 | 100.00% | P, V | K |
| MXN | 50 | 100.00% | V | K |
| MXN | 19 451 | 100.00% | D | K |
| MXN | 47 409 | 100.00% | P | K |
| MXN | 550 | 100.00% | D | K |
| EUR | 25 | 100.00% | P, V | K |
| EUR | 2 556 | 100.00% | P | K |
| EUR | 25 000 | 100.00% | V | K |
| CZK | 47 569 | 100.00% | P, V | K |
| EUR | 10 | 100.00% | V | K |
| EUR | 7 | 100.00% | V | K |
| RON | 8 083 | 100.00% | P, V | K |
| UAH | 23 | 100.00% | V | K |
| GBP | 352 | 100.00% | P, V | K |
| EUR | 1 240 | 100.00% | P, V | K |
| EUR | 944 | 100.00% | P, V | K |
| USD | 3 518 | 100.00% | D, V | K |
| THB | 49 500 | 100.00% | P, V | K |
| INR | 15 000 | 100.00% | P, V | K |
| USD | 33 206 | 75.00% | D | K |
| CNY | 6 849 | 100.00% | P, V | K |
| CNY | 20 750 | 100.00% | P, V | K |
| CNY | 27 500 | 100.00% | P, V | K |
| CNY | 6 650 | 60.00% | P, V | K |
| CNY | 952 | 100.00% | D | K |
| CNY | 80 110 | 100.00% | P, V | K |
| EUR | 25 | 100.00% | D | K |
| EUR | 3 000 | 100.00% | P | K |
| EUR | 25 | 100.00% | D | K |
| CZK | 30 000 | 100.00% | P, V | K |

Statutory Auditor's Report

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

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

Opinion

We have audited the consolidated financial statements of EMS-CHEMIE HOLDING AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 20 to 55) give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

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

Key audit matters

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

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

Taxation

Area of focus

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

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

These estimates and assumptions are based on the information available as at the balance sheet date. Consequently, there is a risk that the actual results may deviate from these estimates and assumptions and therefore due to their significance to the financial statements as a whole, combined with the judgement and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.

Our audit response

We mainly performed the following audit procedures:

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

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

Other information in the Finance Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises page 4 (Share performance) and page 7 (Key Figures 2014–2018) of the Annual Report, but does not include the consolidated financial statements and our auditor's reports thereon, which we obtained prior to the date of this auditor's report and the remaining parts of the annual report, which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge

obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd



Willy Hofstetter
Licensed audit expert
(Auditor in charge)



Gianantonio Zanetti
Licensed audit expert

Zurich, March 18, 2019

Financial Statements **EMS-CHEMIE HOLDING AG**

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



Income Statement May 1, 2018 to April 30, 2019

| | Notes | 2018/2019 (CHF '000) | 2017/2018 (CHF '000) |
|--|-------|-------------------------|-------------------------|
| INCOME | | | |
| Dividends from subsidiaries | | 403 764 | 429 084 |
| License fees from subsidiaries and third parties | 2.1 | 84 882 | 79 446 |
| Other financial income | 2.2 | 16 001 | 14 505 |
| Other operating income | | 42 | 2 415 |
| Extraordinary income | 2.3 | 0 | 9 500 |
| Total income | | 504 689 | 534 950 |
| EXPENSES | | | |
| Financial expenses | 2.4 | 5 871 | 60 023 |
| Other operating expenses | 2.5 | 15 647 | 14 532 |
| Direct taxes | | 6 316 | 2 363 |
| Total expenses | | 27 834 | 76 918 |
| Net income | | 476 855 | 458 032 |

Balance Sheet as at April 30, 2019

EMS-CHEMIE HOLDING AG
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| | Notes | 30. 4. 2019 (CHF '000) | 30. 4. 2018 (CHF '000) |
|-------------------------------------|-------|---------------------------|---------------------------|
| Non-current assets | | 316 768 | 323 344 |
| Investments in subsidiaries | 2.6 | 280 352 | 280 352 |
| Non-current financial assets | 2.7 | 36 416 | 42 992 |
| Current assets | | 626 259 | 549 126 |
| Prepaid expenses and accrued income | | 28 970 | 26 712 |
| Current financial assets | 2.7 | 10 108 | 30 008 |
| Other current receivables | 2.8 | 447 159 | 445 652 |
| Cash and cash equivalents | | 140 022 | 46 754 |
| TOTAL ASSETS | | 943 027 | 872 470 |

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

Notes to the Financial Statements 2018/2019

1. Principles

1.1 General aspects

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

1.2 Investments in subsidiaries

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

1.3 Financial assets

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

1.4 Dividends and license fees from subsidiaries

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

1.5 Foregoing a cash flow statement and additional disclosures in the notes

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

2. Information on income statement and balance sheet items

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

| Notes | 2018/2019 (CHF '000) | 2017/2018 (CHF '000) |
|---|-------------------------|-------------------------|
| 2.5 Other operating expenses | | |
| Fee for contract research | 14 645 | 13 538 |
| Administration | 1 002 | 994 |
| Total other operating expenses | 15 647 | 14 532 |
| <p>EMS-CHEMIE HOLDING AG is beneficial owner of various intellectual property for which it receives royalty payments. EMS-PATENT AG is responsible for the development and research of new technologies, know-how and trademarks. The contract research is funded by EMS-CHEMIE HOLDING AG, which pays EMS-PATENT AG a fee in return.</p> | | |
| 2.6 Investments in subsidiaries | | |
| <p>Details of the investments can be seen in note 32, "List of subsidiaries" in the consolidated financial statements of the EMS-Group. As in the prior year, there were no changes in the period from January 1, 2019 to April 30, 2019.</p> | | |
| | 30.04.2019 | 30.04.2018 |
| 2.7 Financial assets | | |
| Deposits with Banks | 10 108 | 30 008 |
| Loans and investments to subsidiaries | 19 850 | 26 153 |
| Loans to other group companies | 16 566 | 16 839 |
| Total financial assets | 46 524 | 73 000 |
| Thereof current | 10 108 | 30 008 |
| Thereof non-current | 36 416 | 42 992 |
| 2.8 Other current receivables | | |
| Receivables from third parties | 443 980 | 433 437 |
| Receivables from subsidiaries | 3 179 | 12 215 |
| Total other current receivables | 447 159 | 445 652 |
| <p>Receivables from third parties consist of withholding tax credits. Receivables from subsidiaries include in particular short-term loans.</p> | | |
| 2.9 Share capital | | |
| <p>The EMS-CHEMIE Holding has the following significant shareholders: EMESTA HOLDING AG, Zug, 14 224 143 registered shares (2017/2018: 14 224 143 registered shares)</p> | | |
| Amount of holding | 60.82 % | 60.82 % |
| <p>Miriam Baumann-Blocher, 2 100 000 registered shares (2017/2018: 2 079 000 registered shares)</p> | | |
| Amount of holding | 8.98 % | 8.89 % |
| <p>No other representation of significant shareholders is known to the Board of Directors.</p> | | |

| Notes | 2018/2019 (CHF '000) | 2017/2018 (CHF '000) |
|--|-------------------------|-------------------------|
| 2.10 Available earnings | | |
| At 1. 5. | 715 925 | 655 506 |
| Dividends paid | (432 697) | (397 613) |
| Net income | 476 855 | 458 032 |
| At 30. 4. | 760 083 | 715 925 |
| 2.11 Accrued expenses and deferred income | | |
| The item includes accruals for losses on open forward exchange contracts, research expenses and third party services. | | |
| | 30.04.2019 | 30.04.2018 |
| 2.12 Other short-term liabilities | | |
| Other liabilities due to third parties | 4 004 | 1 731 |
| Other liabilities due to subsidiaries | 150 789 | 101 644 |
| Total other short-term liabilities | 154 793 | 103 375 |
| Other short-term liabilities due to third parties include particularly liabilities for income taxes. Other short-term liabilities due to subsidiaries mainly include current accounts from the cash pool and short-term loans. | | |
| 3. Other disclosures | | |
| 3.1 Contingent liabilities | | |
| Guarantees (maximum liability) | 48 186 | 56 443 |
| 3.2 Full-time equivalents | | |
| In the reporting period and in the prior year period, EMS-CHEMIE HOLDING AG employed fewer than 10 employees on average. | | |

| Notes | | 30.04.2019 (CHF '000) | 30.04.2018 (CHF '000) |
|--|------------------------------------|-----------------------------|--------------------------|
| 3.3 Shareholding | | | |
| Existing shareholdings, conversion rights and options in EMS-CHEMIE HOLDING AG held by the members of the Board of Directors, members of the Executive Management and related parties: | | | |
| Board of Directors | Function | Number of registered shares | |
| Dr U. Berg | Chairman | 3 600 | 3 600 |
| M. Martullo | Vice-Chairman | 0* | 0* |
| Dr J. Streu | Member | 0 | 0 |
| B. Merki | Member | 0 | 0 |
| C. Mäder | Member (since 11.8.2018) | 200 | – |
| Total Board of Directors | | 3 800 | 3 600 |
| Executive Management | Function | | |
| M. Martullo | CEO | 0* | 0* |
| P. Germann | Member | 0 | 0 |
| S. Baumgärtner | CFO | 0 | 0 |
| Dr U. Zimmerli | Member (since 1.8.2018) | 0 | – |
| D. Radanovic | Member (from 9.2.2018 to 8.2.2019) | – | 0 |
| Total Executive Management | | 0 | 0 |

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

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

Proposed appropriation of available earnings

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

Statutory Auditor's Report

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of EMS-CHEMIE HOLDING AG, which comprise the balance sheet, income statement and notes (pages 60 to 65), for the year ended 30 April 2019.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 30 April 2019 comply with Swiss law and the company's articles of incorporation.

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

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

Report on other legal requirements

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

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

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

Ernst & Young Ltd



Willy Hofstetter
Licensed audit expert
(Auditor in charge)



Gianantonio Zanetti
Licensed audit expert

Zurich, 27 June 2019

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