



**37<sup>th</sup> ANNUAL REPORT 1999/2000**



EMS-CHEMIE HOLDING AG

Domat/Ems Switzerland

## Contents

---

	Chairman's Statement	2
<b>The EMS Group</b>		
<hr/>		
	Information for Investors	3
	Key Figures 1995–1999	4
	Corporate Governance	
	Management Organization as of April 30, 2000	6
	General Information on the 1999 Fiscal Year at the EMS Group	7
<hr/>		
<b>Review of Business at the Individual Business areas in 1999</b>		
<hr/>		
	Performance Polymers Business area	8
	Fine Chemicals Business area	8
	Engineering Business area	8
<hr/>		
<b>Financial Statements</b>		
<hr/>		
EMS Group	Consolidated Income Statement	9
consolidated data	Consolidated Balance Sheet	10
for the calendar year	Changes in Consolidated Shareholders' Equity	11
	Consolidated Cash Flow Statement	12
	Notes to the Consolidated Financial Statements	13
	Report of the Group Auditors	35
<hr/>		
EMS-CHEMIE HOLDING AG	Income Statement	38
data for the fiscal year from	Balance Sheet as of April 30	39
May 1, 1999–April 30, 2000	Notes to the Financial Statements	40
	Proposals of the Board of Directors	44
	Report of the Auditors	44
<hr/>		
	Addresses of EMS Companies, Switzerland	45
	Addresses of EMS Companies, Worldwide	46
<hr/>		

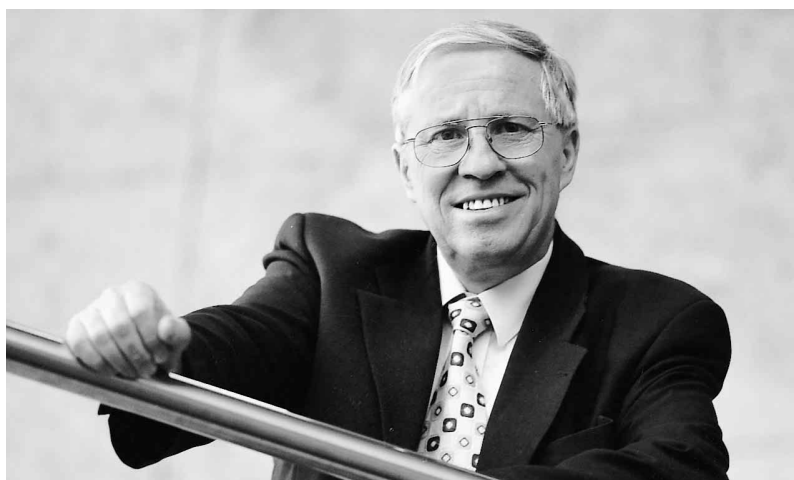
EMS defied the forecasts, posting a profit of almost CHF 200 million for fiscal year 1999. This good result is due not only to our own efforts but to very favorable operating conditions. The second half of the year in particular was conducive to the Group's activities: the US economy was booming and the business climate in Europe was recovering steadily, while Asia had weathered its acute crisis. The substantially weaker Swiss franc also helped to boost the result.

The year under review saw a major restructuring at EMS. This was aimed primarily at pruning low-yielding products and replacing them with products that would help to strengthen our future market position and profitability. Consequently, low-margin products accounting for about 4% of annual sales were eliminated from the product offering. This resulted in some decreases in sales and results in 1999, though the full impact will not be felt until the 2000 figures are released.

The coating resins operation was spun off from the EMS-CHEMIE Business Unit to form a new Profit Center called EMS-PRIMID. This unit's innovative product, Primid, is an environmentally friendly hardener for weather-resistant powder coatings which has already made a successful market debut.

In addition, work progressed on integrating the newly acquired companies Karl Fischer Industrieanlagen GmbH, Berlin, and Pyrmo Chemie GmbH + Co. KG, Lügde, into the Group.

Such restructuring initially generates high costs. These have not been posted separately in the



financial statements but have been charged to operating expenses. They are thus directly reflected in the income statement.

I am aware that the improved business and exchange rate environment helped EMS to post a record result in spite of these changes. But I am concerned that, in addition to making the result more appealing, the exchange rate trend has pushed up costs, interest rates and inflation to levels that will create problems in future. In fact, the economy is already starting to overheat, prompting the Swiss National Bank to take action. Sooner or later, this overheating will lead to a recession. For this reason, EMS has already taken steps in the year 2000 to implement an efficiency program that will cut costs and raise the profitability of its products.

Profits are a gauge of success. The company must always be in a position to generate sound financial returns not only in boom conditions but also, and all the more so, when times are hard. A strong market position and cost leadership are therefore essential, and these are goals that EMS is rigorously pursuing.

Especially when conditions are good, this calls for great foresight, a sense of responsibility, and adopting a critical attitude rather than simply accepting the first solution that presents itself. Company executives in particular have to adopt such an approach. The growing challenges posed by globalization, corporate concentration and competitive pressures can only be mastered by employees who show such responsibility, motivation and flexibility. This is why EMS owes its success to the efforts of all our staff. I should therefore like to thank them for the excellent work they have done and for their magnificent achievement in attaining the goals we set ourselves.

The economy has remained buoyant in the first half of 2000, enabling the Group to improve its figures yet again. This underscores the Group's sound performance.

A handwritten signature in black ink, which appears to read "Blocher". The signature is fluid and cursive.

Dr Christoph Blocher  
Chairman of the Board  
of Directors

## Information for Investors

	Share capital on December 31				
	1999	1998	1997	1996	1995
Number of shares as of articles of incorporation					
Bearer shares (par value CHF 50)	376 000	376 000	400 000	454 140	481 525
Registered shares (par value CHF 10)	729 300	729 300	729 300	729 300	729 300
Conditional capital	-	-	-	-	-
Authorized capital	-	-	-	-	-
Number of shares entitled to dividend					
Bearer shares	376 000	376 000	400 000	454 140	481 525
Registered shares	729 300	729 300	729 300	729 300	729 300
Treasury shares	-	-	-	-	-
Information per bearer share:					
Dividend proposal per share in CHF	-	- <sup>1)</sup>	- <sup>2)</sup>	150.00 <sup>3)</sup>	100.00 <sup>4)</sup>
Equity per share entitled to dividend in CHF	1 764.50	1 347.30	1 680.10	1 585.35	1 517.15
Cash flow per share entitled to dividend in CHF	522.60	410.90	647.55	465.85	398.90
Earnings per share entitled to dividend in CHF					
Weighted average of shares, undiluted*	401.50	303.09	581.00	-	-
Weighted average of shares, diluted*	401.50	303.09	581.00	-	-
Number of shares on December 31	401.50	307.74	549.75	381.85	325.40
Stock prices of bearer shares in CHF					
High	8 500	9 100	7 275	5 650	5 360
Low	6 900	7 100	4 930	4 510	3 485
Market capitalization on December 31	3 833.1	4 253.2	3 919.3	3 000.0	3 287.5

Bearer shares are quoted on the Swiss Exchange ("SWX") and are part of the Swiss Market Index (SMI).

EMS-CHEMIE	Security number 158.703	Reuters identification EMS	Investdata identification CHOZ
------------	----------------------------	-------------------------------	-----------------------------------

\* calculated according to IAS 33

<sup>1)</sup> Reduction of the share capital by repurchase of 24 000 bearer shares at CHF 8 400 (nominal KCHF 1 200, premium KCHF 200 400)

<sup>2)</sup> Reduction of the share capital by repurchase of 40 000 bearer shares at CHF 6 000 and 14 140 bearer shares at CHF 6 100 (nominal KCHF 2 707, premium KCHF 323 547)

<sup>3)</sup> Dividend payment (KCHF 94 108) and repurchase of 27 385 bearer shares at CHF 5 050 (nominal KCHF 1 369, premium and premium for option KCHF 142 705)

<sup>4)</sup> Dividend payment (KCHF 62 739) and reduction of par value of CHF 50/10 (nominal KCHF 31 370)

## Key Figures 1995–1999

	Calendar years, CHF millions				
	1999	1998	1997	1996	1995
Net sales revenue	1 086.7	1 063.8	1 025.9	945.2	923.7
Change in % against previous year	+2.2%	+3.7%	+8.5%	+2.3%	+7.8%
Change in local currencies	+1.1%	+7.2%	+2.6%	+1.2%	+14.5%
Change with identical scope of consolidation	-0.9%	+4.3%	+9.9%	+2.3%	+7.8%
of which in Switzerland	7.0%	10.9%	10.8%	9.6%	8.8%
Total operating revenue	1 117.0	1 101.0	1 115.8	986.9	992.0
Change in % against previous year	+1.5%	-1.3%	+13.1%	-0.5%	+9.0%
Net operating income	198.8	189.2	188.3	152.1	137.8
Change in % against previous year	+5.1%	+0.5%	+23.8%	+10.4%	+4.3%
in % of net sales revenue	18.3%	17.8%	18.4%	16.1%	14.9%
Net financial income	59.2	4.6	175.0	126.1	111.8
Change in % against previous year	+1 182.0%	-97.4%	+38.8%	+12.8%	+141.4%
Net income before taxes and minority interest	258.0	193.8	363.2	278.2	249.6
Change in % against previous year	+33.1%	-46.7%	+30.6%	+11.5%	+39.9%
Income taxes	43.2	29.5	62.0	48.7	45.0
Change in % against previous year	+46.5%	-52.4%	+27.5%	+8.3%	+31.9%
Net income	209.5	160.6	300.1	229.1	204.2
Change in % against previous year	+30.5%	-46.5%	+31.0%	+12.2%	+41.8%
in % of total operating income	18.8%	14.6%	26.9%	23.2%	20.6%
Investments	100.1	102.6	70.1	71.8	82.8
in % of total cash flow	36.7%	47.8%	19.8%	25.7%	33.1%
Research and development cost					
in % of net sales revenue	5.1%	5.1%	5.1%	5.3%	5.2%
Cash flow	272.7	214.4	353.5	279.5	250.3
Change in % against previous year	+27.2%	-39.4%	+26.5%	+11.7%	+35.0%
in % of total operating income	24.4%	19.5%	31.7%	28.3%	25.2%
Depreciation of fixed assets	63.2	53.8	53.4	50.4	46.1

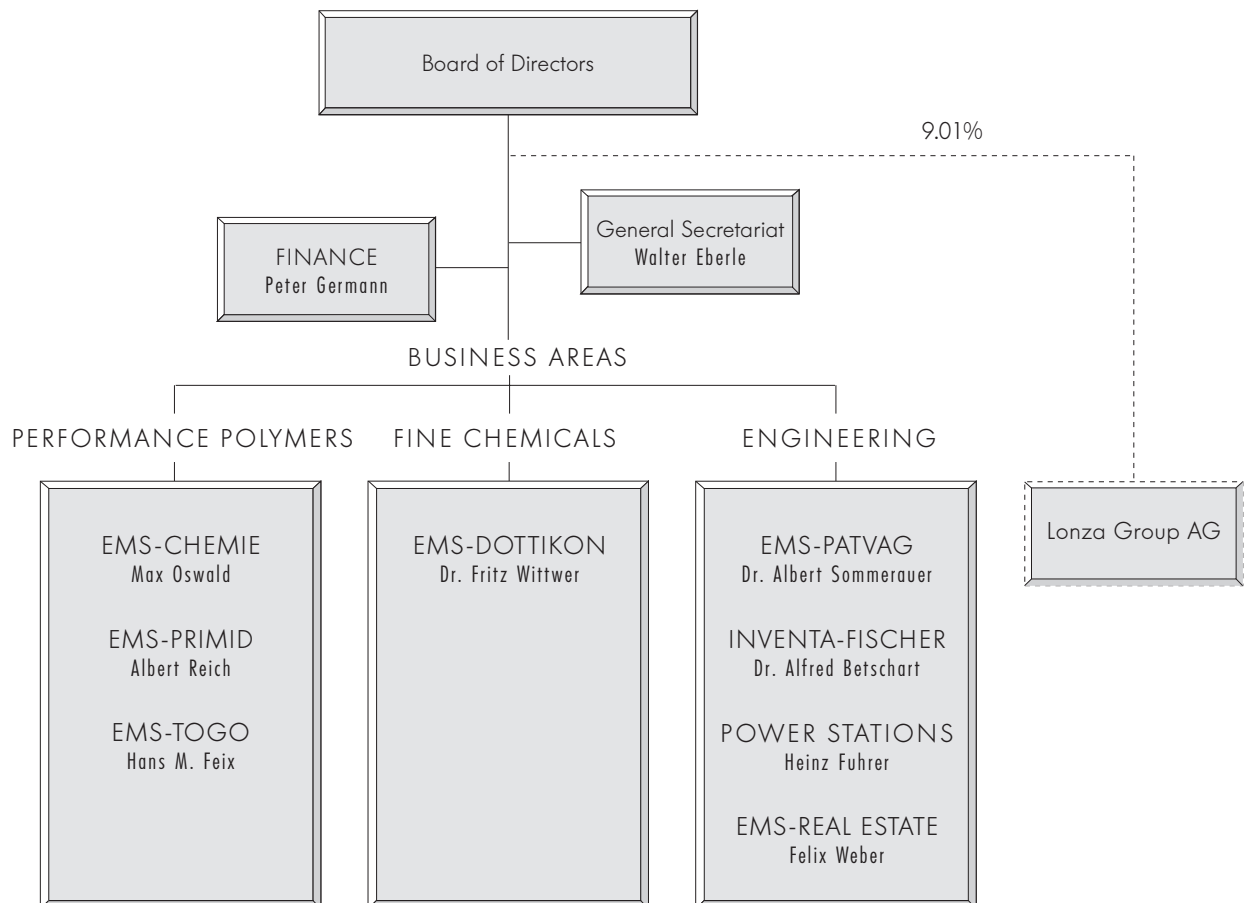
	Calendar years, CHF millions				
	1999	1998	1997	1996	1995
Balance sheet total	2 163.6	1 912.5	1 593.8	1 415.7	1 463.7
Assets					
Current assets	818.7	548.1	881.9	722.2	779.2
Fixed assets	1 344.9	1 364.4	711.9	693.6	684.6
Liabilities					
Short-term liabilities	461.7	895.8	525.8	342.5	368.6
Long-term liabilities	758.6	293.7	138.8	117.9	139.4
Minority interests	22.5	19.9	12.0	4.2	3.9
Shareholders' equity	920.8	703.1	917.1	951.2	951.8
Balance sheet equity ratio	42.6%	36.8%	57.5%	67.2%	65.0%
Return on equity	22.8%	22.8%	32.7%	24.1%	21.4%
Number of employees on December 31*	2 713	2 633	2 565	2 658	2 662
Fire insurance value of fixed assets	1 892.5	1 802.4	1 810.4	1 799.2	1 762.9

\* Excluding apprentices (1999: 140; 1998: 142; 1997: 144; 1996: 137; 1995: 131)

## Corporate Governance

		Term expires
Board of Directors of EMS-CHEMIE HOLDING AG	* Dr. Christoph Blocher, Herrliberg, Chairman and Chief Executive Officer	2000
	* Karl Imhof, Uitikon Waldegg, Vice Chairman	2000
	* Dr. Alfred Gilgen, Zurich	2001
	Karl Janjóri, Herrliberg	2000
	Max Kühne, Binningen	2000
	* Members of the Executive Committee	
Auditors of EMS-CHEMIE HOLDING AG	Robert Brüttsch, Swiss Certified Accountant, Zurich PricewaterhouseCoopers AG, Zurich	

## Management Organization as of April 30, 2000



## Business trend

The year under review 1999 saw a slight recovery in Asia and steady growth in Europe and the USA. The Swiss franc weakened significantly in relation to the dollar, the pound sterling and the yen. The net currency effect for EMS was positive over all. Raw material prices increased steadily from the second half of the year onwards, and as sales prices were unable to keep pace with this development, there was sustained pressure on trading margins. An increase in trading volumes and rigorous cost management helped to offset this, however. Despite what was generally a difficult operating environment, EMS boosted sales to 1086.7 million Swiss francs (compared with 1063.8 million Swiss francs in 1998), and operating income also rose slightly to 198.8 million Swiss francs (1998: 189.2 million Swiss francs). The rise in the operating margin is attributable above all to a significant improvement in the polymers business area, while a slump in the fine chemicals business area resulted in a 23% decline. As expected, profits from the sale of holdings and securities were up significantly at 59.2 million Swiss francs (previous year: 4.6 million Swiss francs). The overall tax ratio increased to 16.8% (up from 15.2%). Net profit rose in line with the operating and financial result to 209.5 million Swiss francs (up from 160.6 million Swiss francs in 1998).

## Investments

In 1999, EMS invested 98.2 million Swiss francs (1998: 92.4 million Swiss francs) in fixed assets. As in previous years, these investments were financed entirely from resources earned by the company itself. The free cash flow was 172.6 million Swiss francs (1998: 111.8 million Swiss francs).

### Investments by type:

Expansion of capacity	46.7%
Renewal/ rationalization	21.6%
Quality-related and technological improvements	25.1%
Environmental protection/ safety	6.6%

### Investments by region:

Switzerland	79.6%
USA	9.6%
Germany	4.3%
Belgium	1.8%
Sweden	1.4%
China	1.1%
Other countries	2.2%

## Management structure

The EMS Group's management and organizational structure are set out on page 6.

EMS-CHEMIE HOLDING AG sold EMS-SYNTECH GmbH, Grenzach (Germany), to Linde AG, Wiesbaden, on July 9, 1999. The takeover was finalized

after the German Cartel Office approved it without any reservations on August 16, 1999. In the first phase of the takeover, Linde AG bought an 80% stake in the company, while the remaining 20% will pass to Linde AG in 2001.

## Personnel

At the end of the review period, the business areas forming the EMS Group employed a total of 2713 persons (up from 2633 in 1998). This figure does not include apprentices. Of the total workforce, 1886 (1922) were employed in Switzerland, 551 (442) elsewhere in Europe, 114 (115) in the USA and 162 (154) in the Far East. At year's end, the EMS Group in Switzerland employed 140 apprentices in 13 different vocational fields. A total of 42 apprentices successfully completed their training in the year under review.

The increase in staff numbers in the rest of Europe is due mainly to the acquisition of the PYRMO-CHEMIE Group and KARL FISCHER Industrieanlagen GmbH, whereas the lower personnel figure for Switzerland is due to the sale of EMS-SYNTECH GmbH.

In further training, the emphasis was on information technology. On average, 2000 people in the EMS Group received training at centrally run, day-long courses. In addition, a number of specific, on-the-job training courses were held at all levels. As in previous years, the management conference for senior staff was headed in person by the Chairman.



## Research and development

Research and development expenditure amounted to 5.1% (5.1%) of sales in the year under review.

### Breakdown of EMS Group sales by region

Germany	27.4%
USA	12.8%
France	10.7%
Great Britain	8.9%
Switzerland	7.0%
China	3.9%
Japan	3.5%
Italy	2.8%
Spain	2.5%
Taiwan	2.5%
Sweden	2.4%
Belgium	2.0%
Finland	1.6%
Holland	1.6%
Austria	1.0%
Rest of Europe	3.7%
Other countries	5.7%

### Production by region

Switzerland	72.9%
Germany	8.4%
USA	5.1%
Belgium	4.7%
Sweden	4.4%
Great Britain	1.9%
Taiwan	1.3%
Other countries	1.3%

## Business areas:

### Performance Polymers

EMS produces top-quality, custom-made polymers. In the EMS-CHEMIE Business Unit, these comprise thermoplastics, technical fibers and adhesives for technical applications. The EMS-PRIMID Business Unit focuses on additives for coatings and produces hardeners for powder coatings, bonding agents for the tire industry and epoxide compounds for the manufacture of building-protection agents. The EMS-TOGO Business Unit specializes in materials used for bonding, corrosion protection and sealing in the automotive industry and manufactures plastisols, polyurethane adhesives and anti-corrosion waxes.

This business area generated net sales of 845.3 million Swiss francs and an operating result of 140.0 million Swiss francs.

### Fine Chemicals

In its EMS-DOTTIKON Business Unit, EMS manufactures fine chemicals for high-grade intermediates and active substances used in the pharmaceutical, animal health and plant protection industries.

This business area generated sales of 144.4 million Swiss francs and an operating result of 40.1 million Swiss francs.

## Engineering

The EMS-PATVAG Business Unit develops and manufactures high-performance electrical detonators and specializes in airbag squibs. In the INVENTA-FISCHER Business Unit, EMS plans and builds high-quality polymer and synthetic fiber plants based on either its own or selected third-party processes. The POWER STATIONS Business Unit comprises five power plants of PATVAG KRAFTWERKE AG, KRAFTWERKE FRISAL AG and KRAFTWERKE REICHENAU AG. The EMS-REAL ESTATE Business Unit manages the company's own property and real estate.

This business area generated net sales of 106.9 million Swiss francs and an operating result of 18.7 million Swiss francs.

## Consolidated Income Statement of the EMS Group

	Notes	1999 (CHF '000)	1998 (CHF '000)
Net sales revenue from goods and services	1	1 086 656	1 063 777
Inventory changes, semi-finished and finished goods		(10 222)	(3 715)
Capitalized costs and other operating income	2	40 613	40 945
<b>Total operating income</b>		<b>1 117 047</b>	<b>1 101 007</b>
Material expenses	3	500 630	520 790
Personnel expenses	4	238 417	231 824
Depreciation and amortization	9, 23	63 184	53 834
Other operating expenses	5	116 037	105 399
<b>Total operating expenses</b>		<b>918 268</b>	<b>911 847</b>
<b>NET OPERATING INCOME (EBIT)</b>		<b>198 779</b>	<b>189 160</b>
Income from equity-valuation of associated companies		4 887	3 041
Financial income	6	85 511	54 299
Financial expenses	7	31 158	52 719
<b>NET FINANCIAL INCOME</b>		<b>59 240</b>	<b>4 621</b>
<b>NET INCOME BEFORE TAXES AND MINORITY INTERESTS</b>		<b>258 019</b>	<b>193 781</b>
Income taxes	8	43 245	29 524
<b>NET INCOME BEFORE MINORITY INTERESTS</b>		<b>214 774</b>	<b>164 257</b>
Minority interests		5 246	3 660
<b>NET INCOME</b>		<b>209 528</b>	<b>160 597</b>
Earnings per bearer share entitled to dividend (CHF)	27	401.50	303.09
Earnings per registered share entitled to dividend (CHF)	27	80.30	60.62
Earnings per bearer share (fully diluted) (CHF)	27	401.50	303.09
Earnings per registered share (fully diluted) (CHF)	27	80.30	60.62
Earnings per bearer share as of 31.12. (in CHF)	27	401.50	307.74
Earnings per registered share as of 31.12. (in CHF)	27	80.30	61.55

Notes to the Consolidated Financial Statements see on pages 18–34.

## Consolidated Balance Sheet of the EMS Group

	Notes	31.12.99 (CHF '000)	31.12.98 (CHF '000)
<b>FIXED ASSETS</b>		<b>1 344 943</b>	<b>1 364 454</b>
Intangible assets	9	32 581	12 021
Tangible assets	9	767 001	698 436
Financial assets			
Investments in associated companies	9	39 527	42 845
Other investments	9	483 064	605 582
Long-term interest-bearing financial assets	9	22 770	5 570
<b>CURRENT ASSETS</b>		<b>818 673</b>	<b>548 053</b>
Inventories	10	242 599	240 963
Accounts receivable			
Trade accounts receivable	11	230 035	190 808
Other receivables	12	47 465	62 045
Securities	13	249 017	328
Cash and cash equivalents	14	49 557	53 909
<b>TOTAL ASSETS</b>		<b>2 163 616</b>	<b>1 912 507</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>920 831</b>	<b>703 098</b>
Share capital	15	26 093	26 093
Retained earnings and reserves		685 210	516 408
Net income		209 528	160 597
<b>MINORITY INTERESTS</b>	16	<b>22 536</b>	<b>19 883</b>
<b>LIABILITIES</b>		<b>1 220 249</b>	<b>1 189 526</b>
Long-term liabilities		758 608	293 731
Bonds	17	50 000	50 000
Bank loans	18	462 184	4 840
Other long-term liabilities	19	22 875	7 861
Deferred income taxes	20	193 713	196 631
Provisions	20	29 836	34 399
Short-term liabilities		461 641	895 795
Bank loans		200 567	628 894
Trade accounts payable		81 196	90 963
Income tax liabilities		50 280	71 937
Other short-term liabilities	21	129 598	104 001
<b>TOTAL LIABILITIES</b>		<b>2 163 616</b>	<b>1 912 507</b>

Notes to the Consolidated Financial Statements see on pages 18–34.

## Changes in Consolidated Shareholders' Equity of the EMS Group

(CHF '000)	Share capital	Legal reserves	Free reserves	Retained earnings	Net income	Shareholders' equity
At 1.1.1998	27 293	70 000	10 000	509 733	300 108	917 134
Distribution of net income				300 108	(300 108)	0
Net income					160 597	160 597
Redemption of share capital	(1 200)			(200 400)		(201 600)
Currency translation differences				(3 248)		(3 248)
Deferred income taxes according to IAS 12 (rev.)				(169 785)		(169 785)
At 31.12.1998	26 093	70 000	10 000	436 408	160 597	703 098
Distribution of net income				160 597	(160 597)	0
Net income					209 528	209 528
Currency translation differences				8 205		8 205
At 31.12.1999	26 093	70 000	10 000	605 210	209 528	920 831
				1999		1998
Balance sheet equity ratio				42.6%		36.8%

Legal reserves include KCHF 5219 not being allowed to be distributed.

The proposal of the Board of Directors for the profit distribution of EMS-CHEMIE HOLDING AG, whose financial year will be closed on April 30, 2000, will be communicated after said date.

For further information and data refer to page 3, "Information for Investors".

## Consolidated Cash Flow Statement of the EMS Group

	Notes	1999 (CHF '000)	1998 (CHF '000)
Net income		209 528	160 597
Minority interests		5 246	3 660
Depreciation and amortization of intangible and tangible fixed assets	9, 23	63 184	53 834
Capitalized costs	2	(17 210)	(19 628)
(Profit)/loss from disposal of tangible fixed assets	2, 5	3 412	(7 535)
Increase/(decrease) of other long-term provisions	20	800	(10 634)
Increase/(decrease) of other long-term liabilities	19	(5 506)	2 978
(Gain)/loss from sale of group companies	2	(6 227)	0
(Income)/expenses from the equity-valuation of associated companies, net after dividends		(4 887)	(3 041)
Value adjustments to financial assets	9, 23	0	36 166
Unrealized currency translation differences		2 235	0
Interests, net	6, 7	17 627	12 532
Dividends from securities in current assets	6	(14 655)	(29)
Dividends from associated companies and other companies	6	(106)	(11 437)
Income from sale of securities	6	(68 082)	(40 833)
Expenses for income taxes	8	43 245	29 524
<b>OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL</b>		<b>228 604</b>	<b>206 154</b>
Cash flow from changes in working capital excluding cash and cash equivalents		(43 765)	3 716
Taxes paid	8	(68 878)	(78 106)
Interests received		3 407	625
Interests paid		(15 374)	(9 701)
Dividends received		14 761	11 437
Provisions used	20	(1 860)	0
<b>CASH FLOW FROM OPERATING ACTIVITIES A</b>		<b>116 895</b>	<b>134 125</b>
(Purchase) of intangible and tangible fixed assets	2, 9	(82 870)	(82 171)
Disposal of intangible and tangible fixed assets	2, 5, 9	1 739	15 764
Disposal/(purchase) of financial assets	9	(257 526)	(604 813)
Disposal/(purchase) of marketable securities		191 835	(201)
(Purchase)/sale of fully-consolidated companies	24	(2 991)	0
<b>CASH FLOW FROM INVESTING ACTIVITIES B</b>		<b>(149 813)</b>	<b>(671 421)</b>
Capital redemption (par value and premium)		0	(201 600)
Dividends paid to minorities	16	(663)	(363)
Minority share in change of share capital	16	(2 250)	3 313
(Increase)/decrease of interest-bearing assets	22	17 086	(16 933)
Increase/(decrease) of interest-bearing liabilities	22	26 392	449 423
<b>CASH FLOW FROM FINANCING ACTIVITIES C</b>		<b>40 565</b>	<b>233 840</b>
<b>CHANGE OF CURRENCY TRANSLATION D</b>		<b>(11 999)</b>	<b>(254)</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(4 352)</b>	<b>(303 710)</b>
Cash and cash equivalents at beginning of the year		53 909	357 619
(Decrease)/Increase of cash and cash equivalents		(4 352)	(303 710)
Cash and cash equivalents at year-end	14	49 557	53 909

Notes to the Consolidated Financial Statements see on pages 18-34.

## Notes to the Consolidated Financial Statements of the EMS Group

### Consolidated accounting principles

#### General

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 in accordance with the International Accounting Standards (IAS) as issued by the International Accounting Standards Committee (IASC). They also comply with the law and the Listing Rules of the Swiss Exchange.

#### Scope of consolidation

The scope of consolidation includes all companies in and outside Switzerland which are controlled – directly or indirectly – by EMS-CHEMIE HOLDING AG, holding more than 50% of the voting rights, or by contracts or other agreements (see list of subsidiaries and minority interest, pages 31 and 32). Not included are companies with a charitable character (such as housing cooperatives).

Joint ventures where the parties have joint control are included at the equity method of accounting. This method is also applied for the associated companies, which are not directly or indirectly controlled by EMS-CHEMIE HOLDING AG (shareholding normally between 20% and 50% of voting rights).

Shares in other companies (less than 20% of voting rights) are valued at purchase price less economically required value adjustments.

### Method of consolidation

The financial statements of majority-owned companies are fully consolidated. Assets and liabilities, income and expenses are incorporated in full and the minority interests in shareholders' equity and net income are separately disclosed in the consolidated balance sheet and consolidated income statement. Capital consolidation is effected using the Anglo-Saxon purchase method, under which all assets and liabilities of the acquired company are valued according to the accounting principles of the EMS Group at the time of acquisition. Any positive difference between the resulting shareholders' equity and the cost of acquisition is capitalized as goodwill and amortized over its expected useful life using the straight-line method. Results for acquired companies are included in consolidation as from the date of acquisition. In case of disposal of companies, the deconsolidation is effected through the income statement at the date of the disposal, whereas the companies' results are included in the consolidation up to this date. Intercompany transactions and relations have been eliminated in the course of consolidation. Unrealized profits from intragroup deliveries are eliminated in the income statement.

### Balance sheet date

The balance sheet date is December 31. Subsidiaries with a different year-end closing not exceeding three months are included in the consolidation based on this closing. If the year-end differs more than three months, an interim closing is prepared as of December 31.

### Valuation principles

Valuation principles remained unchanged from previous year. Uniform principles of valuation have been applied throughout the group. Consolidated financial statements are prepared under the historical cost convention. Value adjustments and provisions are set up for all known and quantifiable decreases in value and liabilities at the balance sheet date.

#### Intangible fixed assets

---

This item mainly consists of goodwill acquired in acquisitions since January 1, 1995. Amortization periods have been determined individually, with due regard for the benefit. The maximum useful life applied is 20 years. If goodwill is amortized over more than five years, this policy is supported by detailed business plans from the companies concerned. Organization and foundation costs are not capitalized. Amortization of intangible fixed assets is calculated on a straight-line method.

### Tangible fixed assets

Tangible fixed assets are shown at purchase price or manufacturing cost less economically required depreciation. Assets are depreciated using the straight-line method over its estimated useful lives and up to the date of transfer of ownership to the Government for power stations respectively. 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 fixed assets is periodically reviewed and a provision is set up for permanent impairment, if considered necessary.

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

Assets held under leasing agreements which may be considered as an asset purchase in economic terms (finance leases) are capitalized as tangible fixed assets at their estimated present value of the underlying lease payments and depreciated over their useful lives or the shorter leasing period. Leasing commitments are shown under financial liabilities. Financing costs are charged to the income statement over the leasing period in such a manner that the periodic costs are correct.

Payments on leased assets defined as "operating leases" and having a rental character are expensed over the lease period.

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 tangible fixed assets	5–15 years

Power stations including land are included in "Technical plant and machines" and are depreciated according to the operating life or up to the date of transfer of ownership to the Government.

### Financial assets

Shares in associated companies are included using the equity method. Shares in other companies are included at the lower of purchase price or current market value.

### Inventories

Inventories used for production are valued at their historical purchase or production cost (including attributable manufacturing overheads) or at their realizable market value, whichever is lower. Inventories are valued using the "fifo" method (first-in, first-out). Long-term contract work-in-progress is valued using the "percentage-of-completion" method (PoC).

### Accounts receivable and accrued income

This item is valued at its nominal value less provisions for bad debts. Provisions are either based on specifically known risks or on historical default rates.

### Cash and cash equivalents

Liquid assets include cash on hand, bank account balances and short or medium-term deposits maturing within twelve months. Securities include marketable securities traded on stock exchanges being held with the intention of short-term disposal. Liquid assets are valued at their nominal value, securities at the lower of cost or market value. Accrued interest on securities is capitalized. In case of disposal of securities, the profit or loss is calculated using the average method.

Cash and cash equivalents disclosed in the cash flow statement include liquid assets with a maturity of less than three months.

### Liabilities and deferred income

This item includes short and long-term debts, valued at the amount of repayment, and deferred income.

### Pension funds

All subsidiaries in Switzerland dispose of their own, legally independent pension plans, being independently managed. They are financed through contributions from employers and employees. Present and former employees (or their surviving dependants) will receive benefits upon reaching the age limit and/or in the event of invalidity or death. For the purposes of the consolidated financial statements, future pension obligations are calculated on the basis of actuarial methods complying with IAS. In the case of defined benefit obligations, the present value of the projected benefit obligation is assessed using the projected unit credit method on the basis of completed and expected years of service, the expected pay trend and the adjustment of pensions. Cost for this provision ("Expense Recognized in the Income Statement") are calculated annually and carried to income statement. In case of changes in pension plans or corrections due to new actuarial assumptions, the changes are spread forward over the remaining service life of employees. Employees of subsidiaries abroad are insured by governmental institutions or independent defined contribution pension plans.

### Derivative financial transactions

The EMS Group uses derivative financial instruments in the usual course of business to optimize the risks. Different risk positions, composed of assets and liabilities and future engagements, are judged and managed by the treasury for the whole Group. Additionally, the liquidity required for the day-to-day operations has to be available at all times. Derivative financial instruments are only used with parties with a high credit rating. The hedging policy of the EMS Group is written down and supervised. The results of the hedge program are continuously reported to management. The treasury management is authorized to entirely or partially hedge exposures. The EMS Group does hedge positions if the costs in relation to the risks are justified. The EMS Group mostly uses forward currency and option contracts to hedge against the risk connected with value losses in cash flow terms resulting from balance sheet and income statement items held in foreign currencies. Profits and losses arising on instruments regarded under IAS standards as hedges on existing assets and liabilities, on firm future contractual liabilities and on liabilities likely to arise from possible future commitments, are accrued and deferred as appropriate and taken to income statement together with the transaction to which they refer. Profits and losses on instruments which do not qualify as hedges under IAS standards are shown as other financial income and expenses.

### Net sales revenue

Net sales revenue includes the invoiced amounts for supplied goods and services less diminished proceeds and the amount of profits as defined by the progress accomplished on long-term construction contracts. The amount of profit is determined on a pro rata basis of overall engineering estimates according to the "percentage-of-completion" method (PoC), on which the profit realized is calculated with regard to the progress achieved. Such costs cover all direct and indirect costs incurred for the projects. Only the Group's own added value is taken into account. Income is defined as being realized on delivery and services rendered respectively.

### Research and development costs

With the exception of those development projects capitalized in accordance with IAS 9, research and development costs are charged to the income statement for the year in which they originate under the following headings: wages and salaries, material expenses, amortization on research and development assets, and research and development overheads. Research and development assets being used over a long period of time are classified under "plant and machinery" and are amortized over the estimated period of economic use.



## Foreign currency translation

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

In case of disposal of a subsidiary abroad, the translation difference, accumulated during the period 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 with the exchange rate of the transaction day. At year-end the balances of foreign currencies are translated with the exchange rate prevailing at year-end. The differences are recognized in the income statement (transaction gains and losses).

The most important exchange rates are:

			Average exchange rates		Year-end exchange rates	
		Unit	1999	1998	1999	1998
US dollar	USD	1	1.503	1.4486	1.598	1.379
German mark	DEM	100	81.87	82.38	82.06	82.21
French franc	FRF	100	24.41	24.57	24.47	24.51
Belgian franc	BEF	100	3.969	3.993	3.979	3.984
Pound sterling	GBP	1	2.431	2.4004	2.581	2.281
Japanese yen	JPY	100	1.327	1.11	1.562	1.21
Swedish krona	SEK	100	18.17	18.26	18.73	16.95
Taiwan dollar	TWD	1	0.04662	0.0433	0.05088	0.0428

## Income taxes

Provisions for deferred income taxes pay due regard to the impact in income tax terms of the differences in the valuation of assets and liabilities for Group consolidation purposes and for local taxation purposes. These provisions are continuously adjusted to take account of any changes to local fiscal law. Provisions for deferred taxation are set up using the comprehensive liability method, under which provisions are set up for all temporary differences. Tax losses carried forward are not deducted from deferred income taxes unless it can be shown with sufficient certainty that the future taxable profit is adequate to offset such a loss. Taxes on income from foreign Group companies which is expected to be distributed to the parent company have been provided for. Provisions have not been set up for non-repatriated income invested for an unlimited period of time, or for income that can largely be transferred tax-free to the parent company. Tax expenses include income taxes on the profits of companies consolidated using the equity method.

## Earnings per share

Earnings per share are calculated by dividing net income with the weighted average of shares.

## Consistency

The principles of valuation, consolidation and classification remained unchanged from previous year.

## Segment reporting

Segment reports are primarily presented by division and secondarily by geographical region. For the divisional assignment of Group companies, refer to the "List of subsidiaries and minority holdings" on pages 31 to 32.

## Breakdown by Business areas

(CHF '000)

Primary segment	Net sales with other segments		Net sales revenue Net sales from external customers		Total net sales		Operating profit (EBIT)		Segment assets <sup>1)</sup>	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
PERFORMANCE POLYMERS	1 299	543	843 996	817 528	845 295	818 071	139 979	125 806	826 570	772 436
FINE CHEMICALS	45	382	144 339	164 588	144 384	164 970	40 080	52 169	338 255	321 941
ENGINEERING	8 552	11 004	98 321	81 661	106 873	92 665	18 720	11 185	909 707	721 376
Subtotal segments	9 896	11 929	1 086 656	1 063 777	1 096 552	1 075 706	198 779	189 160	2 074 532	1 815 753
– Internal net sales	(9 896)	(11 929)			(9 896)	(11 929)				
Total EMS Group	0	0	1 086 656	1 063 777	1 086 656	1 063 777	198 779	189 160	2 074 532	1 815 753

Primary segment	Segment liabilities <sup>2)</sup>		Share of net profit/ loss on equity-valued companies		Book value of equity-valued companies		Investments in intangible and tangible fixed assets		Depreciation intangible and tangible fixed assets	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
PERFORMANCE POLYMERS	119 682	113 925	4 887	1 241	39 527	31 592	68 682	70 090	39 812	34 606
FINE CHEMICALS	18 247	30 559	0	0	0	0	15 659	26 618	10 450	12 000
ENGINEERING	72 865	50 480	0	1 800	0	11 253	15 739	5 877	12 922	7 228
Total EMS Group	210 794	194 964	4 887	3 041	39 527	42 845	100 080	102 585	63 184	53 834

## Breakdown by Geographical Region

(CHF '000)

Secondary segment	Total net sales revenue (customers)		Total net sales revenue (production)		Operating profit (EBIT)		Segment assets <sup>1)</sup>		Investments in intangible and tangible fixed assets	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Switzerland	76 310	115 776	792 138	816 980	165 295	163 869	1 748 373	1 551 312	78 719	86 097
European Union (EU)	680 044	645 477	221 456	178 715	27 298	23 307	192 958	162 444	9 475	8 936
North America	142 612	125 775	55 204	53 189	–494	1 224	77 009	57 064	9 467	5 230
Far East <sup>3)</sup>	140 539	110 348	17 858	14 893	6 680	760	56 192	44 933	2 419	2 322
Others	47 151	66 401	0	0	0	0	0	0	0	0
Total EMS Group	1 086 656	1 063 777	1 086 656	1 063 777	198 779	189 160	2 074 532	1 815 753	100 080	102 585

Invoicing and cost attribution between segments uses the same conditions as with third parties.

<sup>1)</sup> Without cash and cash equivalents and investments in associated companies.

<sup>2)</sup> Trade accounts payable, advances from customers, liabilities to related parties and associated companies, liabilities to social benefit institutions, other short-term liabilities, prepaid expenses and deferred income.

<sup>3)</sup> Mainly China, Japan and Taiwan.

## Consolidated Income Statement

Notes	1999 (CHF '000)	1998 (CHF '000)
1		
Net sales revenue from goods and services		
Within plant construction, only the Group's own added value is taken into account. Revenue and cost of sales would be higher if the entire value of third-party purchases were to be included.	63 656	43 965
2		
Capitalized costs and other operating income		
Capitalized costs	17 210	19 628
Other operating income	12 580	8 108
Real estate income	1 222	2 492
Operating interest	1 870	1 600
Income from disposal of Group companies	6 227	–
Income from disposal of fixed assets	1 504	9 117
Total capitalized costs and other operating income	40 613	40 945
3		
Material expenses		
Material and warehouse expenses	480 287	501 827
Subcontractor salaries	8 005	5 749
Energy expenses	12 338	13 214
Total material and warehouse expenses	500 630	520 790
4		
Personnel expenses		
Wages and salaries	202 553	196 625
Contributions to pension plans	23 188	23 696
Other social security contributions	12 676	11 503
Total personnel expenses	238 417	231 824

Notes	1999 (CHF '000)	1998 (CHF '000)
Pensions schemes:		
<p>Some Group companies have their own personnel pension plans, which all comply with national regulations and requirements. Normally, the assets are held in independent trusts. In cases in which a Group company does not have its own personnel pension plans, long-term provisions have been set up in the consolidated balance sheet. The trusts are normally financed through contributions from employers and employees. The future obligations and the corresponding plan assets which are qualified as defined benefit plans under IAS are periodically verified by qualified actuaries, for the last time as of January 1, 1999.</p> <p>The following figures give an overview over the pension plans:</p>		
	1. 1. 1999	
Individual defined-benefit plans		
a. Plans with funding surplus		
– Actuarial value of all benefit entitlements of former and current employees	(147 222)	
– Market value of plan assets	189 009	
– Actuarial profits, not accounted for	<u>(27 221)</u>	
– Total surplus, included in assets	14 566	
b. Plans with funding deficit		
– Actuarial value of all benefit entitlements of former and current employees	(290 025)	
– Market value of plan assets	282 122	
– Actuarial profits, not accounted for	<u>(7 503)</u>	
– Total deficit, included in liabilities	(15 406)	
Surplus and deficit respectively are included in long-term interest-bearing financial assets and other long-term liabilities respectively.		

Notes	1999 (CHF '000)	1998 (CHF '000)
The income statement shows the following:		
Current service cost	23 846	
Interest cost	17 291	
Expected return on plan assets	(26 727)	
Actuarial gains/losses	0	
Employees' contribution	<u>(6 616)</u>	
ERIS (Expense Recognized in the Income Statement)	7 794	
The reconciliation to the balance sheet is as follows:		
ERIS (Expense Recognized in the Income Statement)	7 794	
Employer's contribution	<u>(8 341)</u>	
Surplus of effective employer's contribution, net	(547)	
of which shown: in long-term interest-bearing financial assets	2 718	
in other long-term liabilities	2 171	
Benefits for pension plan members covered by defined-benefit plans are calculated using the following average actuarial assumptions:		
Expected future service life of the employees	12 years	
Discount rate	3.75%	
Expected long-term return on capital	6.00%	
Annual salary development	2.75%	
Adaptation of pension benefits	1.50%	
<b>5 Other operating expenses</b>		
Rents, repairs and maintenance and general administration costs	111 121	103 817
Losses on disposal of fixed assets	4 916	1 582
Total other operating expenses	<u>116 037</u>	<u>105 399</u>
<b>6 Financial income</b>		
Interest on interest-bearing assets		
Interest from related parties and associated companies	614	662
Other interest income	2 054	1 338
Dividends on securities in working capital	14 655	29
Dividends on investments in associated and other companies	106	11 437
Income from sale of securities	68 082	40 833
Total financial income	<u>85 511</u>	<u>54 299</u>
The increase in dividends on securities in working capital is mainly due to the reclassification of the algroup-investment into working capital.		

Notes	1999 (CHF '000)	1998 (CHF '000)
7		
Financial expenses		
Interest to related parties and associated companies	2 842	113
Other interest	17 453	14 419
Value adjustments to financial assets	0	36 166
Foreign exchange losses, net	10 863	2 021
Total financial expenses	31 158	52 719
8		
Income taxes		
Current income taxes	46 242	24 217
Deferred income taxes (see note 20)	(2 997)	5 307
Total income taxes	43 245	29 524

The ultimate holding company is incorporated in Switzerland. The subsidiaries operate in different countries with different tax laws and tax rates. The effective income tax expenses were different from the expected income tax expenses. The expected income tax expenses are calculated on the basis of the local profit and tax rate. This difference is as follows:

Breakdown of the income tax expenses:

Net income before income taxes	258 019	193 781
Expected income tax rate	26.5%	26.5%
Expected income taxes	68 375	51 352
Effect of different income tax rates	(10 486)	(8 581)
Use of losses carried forward	(574)	(423)
Income with special income tax rates	(1 031)	(809)
Tax holidays and corrections from previous years	(8 783)	(11 340)
Other (see below)	(4 256)	(675)
Effective income taxes	43 245	29 524
Effective income tax rate	16.8%	15.2%

Deferred income taxes are calculated using the "Comprehensive Liability Method", under which provisions are set up for all temporary differences. Tax losses carried forward are only carried to accrued income if it is certain that the future taxable profit is sufficient to offset such a loss. The expected income tax rate is 26.5%. Due to changes in the tax law of the Canton of Aargau to comply with the Federal Harmonization Act for Direct Cantonal and Municipal Taxes (StHG) and the switch from prior-year to current-year-based taxation that this alignment entails, the net income of EMS-DOTTIKON AG is only taxed at one third (in position "Other"). In 1998 the profit of EFTEC AG (operating in the Canton of Thurgau) fell in the "assessment gap" created by the same reason. As a result, taxes paid by the EMS Group are lower than they would be under normal circumstances.

## Consolidated Balance Sheet as of December 31

### Notes

#### 9 Intangible fixed assets, tangible fixed assets, financial assets

##### I. Intangible fixed assets

		At 1.1.99 (CHF '000)	Change in scope of cons./ transl. diff. (CHF '000)	Additions (CHF '000)	Disposals (CHF '000)	Reclassific. and value adjustments (CHF '000)	At 31.12.99 (CHF '000)
Goodwill	Cost	3 016	26 014	8 981	137	(1 618)	36 256
	Amortization	2 558	14 741	2 224	137	(1 294)	18 092
	Book value	458	11 273	6 757	0	(324)	18 164
Patents, trade marks	Cost	15 363		121	74	1 696	17 106
	Amortization	4 796		2 457	73	1 294	8 474
	Book value	10 567		(2 336)	1	402	8 632
Others, incl. advances	Cost	1 261	777	2 142	158	5 716	9 738
	Amortization	265	571	1 117	68	2 068	3 953
	Book value	996	206	1 025	90	3 648	5 785
Total intangible fixed assets	Cost	19 640	26 791	11 244	369	5 794	63 100
	Amortization	7 619	15 312	5 798	278	2 068	30 519
	Book value	12 021	11 479	5 446	91	3 726	32 581

The change in goodwill is due to the reclassification of the 90% share in INVENTA-FISCHER GmbH & Co. KG (as of December 31, 1998 reported in associated companies) and the 100% share in the PYRMO Group (as of December 31, 1998 reported in other participations). Additionally, in 1999 the remaining 10% in INVENTA-FISCHER GmbH & Co. KG were acquired and a repayment of a former shareholder (KCHF 410) was booked as cost reduction. Therefore, additions of intangible fixed assets – less the increase in participation – amount to KCHF 1 853.

##### Ila. Operating fixed assets

		At 1.1.99 (CHF '000)	Change in scope of cons./ transl. diff. (CHF '000)	Additions (CHF '000)	Disposals (CHF '000)	Reclassific. and value adjustments (CHF '000)	At 31.12.99 (CHF '000)
Land incl. development cost	Cost	25 722	1 449	1 193		(5 073)	23 291
	Depreciation	3 286	351	42		(2 527)	1 152
	Book value	22 436	1 098	1 151		(2 546)	22 139
Buildings	Cost	229 372	9 167	4 807	918	47 221	289 649
	Depreciation	121 321	3 691	6 535	554	(3 039)	127 954
	Book value	108 051	5 476	(1 728)	364	50 260	161 695
Technical plant, machinery, R&D plants	Cost	928 171	26 973	33 902	7 663	(90 954)	890 429
	Depreciation	499 070	5 832	39 817	6 374	(103 686)	434 659
	Book value	429 101	21 141	(5 915)	1 289	12 732	455 770
Furniture, EDP equipment, vehicles	Cost	96 941	12 244	7 649	10 454	(14 204)	92 176
	Depreciation	69 616	8 987	7 946	9 587	(16 346)	60 616
	Book value	27 325	3 257	(297)	867	2 142	31 560
Plant under construction and payments in advance	Cost	96 134	1 066	50 665	2 209	(61 224)	84 432
	Depreciation	0		2 897			2 897
	Book value	96 134	1 066	47 768	2 209	(61 224)	81 535
Total operating fixed assets	Cost	1 376 340	50 899	98 216	21 244	(124 234)	1 379 977
	Depreciation	693 293	18 861	57 237	16 515	(125 598)	627 278
	Book value	683 047	32 038	40 979	4 729	1 364	752 699

Notes

IIb. Non-operating fixed assets

		At 1.1.99 (CHF '000)	Change in scope of cons./ transl. diff. (CHF '000)	Additions (CHF '000)	Disposals (CHF '000)	Reclassific. and value adjustments (CHF '000)	At 31.12.99 (CHF '000)
Land incl. development cost	Cost	9 919	(1)	6	331	(22)	9 571
	Depreciation	0					0
	Book value	9 919	(1)	6	331	(22)	9 571
Buildings	Cost	7 940	37			(1 070)	6 907
	Depreciation	2 550	20	110		(379)	2 301
	Book value	5 390	17	(110)		(691)	4 606
Furniture	Cost	527	19	5	92	612	1 071
	Depreciation	447	17	39	92	535	946
	Book value	80	2	(34)	0	77	125
Total non-operating fixed assets	Cost	18 386	55	11	423	(480)	17 549
	Depreciation	2 997	37	149	92	156	3 247
	Book value	15 389	18	(138)	331	(636)	14 302
Total tangible fixed assets	Cost	1 394 726	50 954	98 227	21 667	(124 714)	1 397 526
	Depreciation	696 290	18 898	57 386	16 607	(125 442)	630 525
	Book value	698 436	32 056	40 841	5 060	728	767 001

In the year under review the fixed asset register was revised. In most Group companies the classification and the useful lives have been standardized. The revision of the fixed asset register resulted in an increase in book values of KCHF 55 638 and a decrease of KCHF 51 184. The result was a net income of KCHF 4 454.

III. Financial assets

Associated companies

		At 1.1.99 (CHF '000)	Change in scope of cons./ transl. diff. (CHF '000)	Additions (CHF '000)	Disposals (CHF '000)	Reclassific. and value adjustments (CHF '000)	At 31.12.99 (CHF '000)
Participations	Cost	38 803	(3 158)	4 887	1 015	10	39 527
	Depreciation	400	36		436		0
	Book value	38 403	(3 194)	4 887	579	10	39 527
Goodwill	Cost	19 158	(19 158)				0
	Amortization	14 716	(14 716)				0
	Book value	4 442	(4 442)				0
Total associated companies	Cost	57 961	(22 316)	4 887	1 015	10	39 527
	Depreciation/Amortization	15 116	(14 680)		436		0
	Book value	42 845	(7 636)	4 887	579	10	39 527

Other participations

	Cost	626 582	(11 453)	257 900	138	(389 827)	483 064
	Depreciation	21 000				(21 000)	0
	Book value	605 582	(11 453)	257 900	138	(368 827)	483 064



Notes

Long-term interest-bearing financial assets

	At 1.1.99 (CHF '000)	Change in scope of cons./ transl. diff. (CHF '000)	Additions (CHF '000)	Disposals (CHF '000)	Reclassific. and value adjustments (CHF '000)	At 31.12.99 (CHF '000)
Cost	5 631	154	823	1 059	17 284	22 833
Depreciation	61	2				63
Book value	5 570	152	823	1 059	17 284	22 770

The change of participations in associated companies is due to the reclassification of the 90% participation in INVENTA-FISCHER GmbH & Co. KG into the fully-consolidated range, the valuation of EMS-UBE and EFTEC Americas L.L.C. (KCHF 4 887) and the disposal of Placosa (associated company of EFTEC Americas L.L.C.). The change in other participations is mainly due to the acquisition of algroup and Lonza shares and after the spin-off of Lonza to the reclassification into securities in current assets of the remaining part of algroup (division aluminium and package). Further, the PYRMO Group, valued at December 31, 1998 at book value, is carried to fully-consolidated companies.

In the book value of other participations, the shareholding in Lonza is included with KCHF 482 300 (530 000 registered shares with an average purchase price of CHF 910).

The change in long-term interest-bearing financial assets is mainly due to the application of IAS 19 (rev.) (KCHF 17 284).

	1999 (CHF '000)	1998 (CHF '000)
Fire insurance value		
Property, plant and equipment	1 892 536	1 802 355
The insurance of fixed assets is at replacement values.		
10 Inventories		
Raw materials and supplies	55 955	55 757
Semi-finished goods, work in progress	43 048	33 211
Finished products	143 239	151 281
Advance payments on goods	357	714
Total inventories	242 599	240 963
11 Trade accounts receivable		
Accounts receivable from long-term production orders	26 720	9 859
Trade accounts receivable	211 712	187 880
Provision for bad debts	(8 397)	(6 931)
Total trade accounts receivable	230 035	190 808
12 Other receivables		
Receivables from related parties	44	17 130
Receivables from associated companies	310	402
Other receivables	34 990	21 231
Prepayments and accrued income	12 121	23 282
Total other receivables	47 465	62 045
Receivables from related parties bear interest at commercial rates (see notes 21, 32).		

Notes		1999 (CHF '000)	1998 (CHF '000)
13	Securities		
	Market value of marketable securities included in "current assets" at the end of the year amounts to	424 813	438
14	Cash and cash equivalents		
	Deposits	16 783	13 600
	Cash and cash equivalents	32 774	40 309
	Total cash and cash equivalents	49 557	53 909
	Maturity < 3 months	49 557	53 909
	Maturity > 3 months	0	0
15	Share capital		
	Summary		
		1999	
		Par value	Number
			voting rights
			Percentage of capital
	Registered shares	CHF 10	729 300
			65.98%
			27.95%
	Bearer shares	CHF 50	376 000
			34.02%
			72.05%
	Share capital		
			7 293
			7 293
			18 800
			18 800
			26 093
			26 093
16	Minority interests		
	This item reflects the minority interests in capital and profit and loss for the year respectively. Minorities own significant shares in EFTEC Europe Holding AG, KRAFTWERKE FRISAL AG and KRAFTWERKE REICHENAU AG. Minority interests in net income amount to KCHF 5 246. During the year under review, dividends of KCHF 663 were paid. Due to the capital redemption of KRAFTWERKE REICHENAU AG, the minority interests in share capital decreased by KCHF 2 250.		
17	Bonds		
	KRAFTWERKE REICHENAU AG 4½% debenture bond 1995–2005	50 000	50 000
	Total bonds	50 000	50 000
18	Bank loans		
	The long-term bank loans are composed as follows:		
	CHF: Average interest rate in 1999: 1.79% (1998: –)	400 000	–
	JPY: Average interest rate in 1999: 1.45% (1998: 1.40%)	62 184	4 840
	Total bank loans	462 184	4 840
	Maturity 1–5 years	455 936	0
	Maturity > 5 years	6 248	4 840

Notes	1999 (CHF '000)	1998 (CHF '000)
19 Other long-term liabilities		
Other long-term liabilities	4 869	6 942
Leasing liabilities	429	919
Liabilities out of application of IAS 19 (rev.)	17 577	0
Total other long-term liabilities	22 875	7 861

20 Provisions	At 1.1.99 (CHF '000)	Change in scope of cons./ currency transl. differences (CHF '000)	Increase/ decrease via Income Statement (CHF '000)	Amounts used (CHF '000)	Reclassification (CHF '000)	At 31.12.99 (CHF '000)
Pension liabilities	8 431	5	66	(45)	(6 574)	1 883
Other provisions	25 968	4 790	734	(1 815)	(1 724)	27 953
Subtotal	34 399	4 795	800	(1 860)	(8 298)	29 836
Provisions for deferred income taxes	196 631	79	(2 997)			193 713
Total provisions	231 030	4 874	(2 197)	(1 860)	(8 298)	223 549

Note to the provision for deferred income taxes	1999 (CHF '000)	1998 (CHF '000)
Calculation according to the "Comprehensive Liability Method" Total temporary differences	701 366	677 167
Provision for deferred income taxes based on temporary differences	193 713	196 631

Some companies had adjusted the income tax rate to a lower level. Therefore the provision for deferred income taxes decreased whilst temporary differences increased.

Losses carried forward, accepted by fiscal authorities

Total not considered losses carried forward	14 515	13 052
Not considered deferred income tax assets based on not considered losses carried forward	5 080	4 568
Of which to be carried forward at the longest:		
1 year	0	0
2 years	0	0
3 years	6	0
4 years	153	5
5 years	648	317
More than 5 years	4 273	4 246

Notes	1999 (CHF '000)	1998 (CHF '000)
21 Other short-term liabilities		
Advances from customers for long-term manufacturing contracts	49 600	525 594
Work in progress (long-term manufacturing contracts)	<u>(8 682)</u>	<u>(503 979)</u>
	40 918	21 615
Other advances	1 075	7 608
Prepaid expenses and deferred income	40 510	35 479
Liabilities to related parties	152	463
Liabilities to associated companies and other participations	0	615
Dividend obligations	328	1
Liabilities to social security institutions	12 110	1 437
Other short-term liabilities	34 505	36 783
Total other short-term liabilities	129 598	104 001
Interest on liabilities to related parties is in conformity with market conditions (see notes 12, 32).		
Due to the application of the percentage-of-completion method (PoC), the items "Work in progress" and "Advances from customers" decreased significantly.		
22 Interest-bearing liabilities, net		
4½% debenture bond 1995–2005 (see note 17)	50 000	50 000
Long-term bank loans (see note 18)	462 184	4 840
Pension liabilities (see note 20)	1 883	8 431
Short-term bank loans: Average interest rate 1999: 1.75%	200 567	628 894
Leasing obligations (see note 19)	429	919
Liabilities to related parties (see note 21)	152	463
Liabilities to associated companies and other participations (see note 21)	0	615
Interest-bearing liabilities	715 215	694 162
less		
Receivables from related parties (see note 12)	44	17 130
Receivables from associated companies (see note 12)	310	402
Securities (see note 13)	249 017	328
Deposits (see note 14)	16 783	13 600
Cash and cash equivalents (see note 14)	32 774	40 309
Interest-bearing liabilities, net	416 287	622 393

## Consolidated Cash Flow Statement

Notes	1999 (CHF '000)	1998 (CHF '000)
23 Depreciation of intangible and tangible fixed assets and financial assets		
Amortization intangible fixed assets	5 798	986
Depreciation tangible fixed assets	57 386	52 848
Value adjustment to financial assets	0	36 166
Total depreciation intangible and tangible fixed assets and financial assets	63 184	90 000

For the breakdown of the amortization of tangible fixed assets refer to note 9.

The depreciation of financial assets in 1998 mainly consisted of the valuation of the participation in algroup and the depreciation of the associated company INVENTA-FISCHER GmbH & Co. KG (former: Karl Fischer Industrieanlagen GmbH).

24 Purchase/disposal of consolidated companies	Additions	Disposals		
Tangible fixed assets	33 732	(243)	33 489	0
Long-term liabilities	(5 551)	1 319	(4 232)	0
Goodwill paid	9 391	-	9 391	0
Working capital, excluding cash and cash equivalents	3 185	(798)	2 387	0
Subtotal	40 757	278	41 035	0
Purchase price (paid)/received	(10 109)	7 200	(2 909)	0
Cash and cash equivalents	1 239	(1 321)	(82)	0
Cash flow from (purchase)/disposal of participations	(8 870)	5 879	(2 991)	0

### Further Details

25 Contingent liabilities		
Commitments and contingent liabilities at the end of the year amount to	64 701	64 052
No legal proceedings are known to be in progress within the Group which could have a significant impact on the financial position of the Group.		

Notes			1999 (CHF '000)	1998 (CHF '000)
26	Open derivative financial transactions			
	The following summary shows the most important open derivative financial transactions:			
SWAPS	JPY/CHF	Notional amount CHF	204 246	52 938
		Positive replacement value CHF	9 403	5 975
		Negative replacement value CHF	11 335	923
	USD/CHF	Notional amount CHF	27 477	50 334
		Positive replacement value CHF	11	1 257
		Negative replacement value CHF	712	1 306
	EUR/CHF	Notional amount CHF	16 899	–
		Positive replacement value CHF	132	–
		Negative replacement value CHF	15	–
	DEM/CHF	Notional amount CHF	4 126	5 179
		Positive replacement value CHF	0	0
		Negative replacement value CHF	8	32
	GBP/CHF	Notional amount CHF	3 612	3 422
		Positive replacement value CHF	0	0
		Negative replacement value CHF	75	27
	SEK/CHF	Notional amount CHF	1 873	–
		Positive replacement value CHF	0	–
		Negative replacement value CHF	6	–
Call Options	USD/CHF	Notional amount CHF	–	10 481
		Positive replacement value CHF	–	26
		Negative replacement value CHF	–	0
Put Options	JPY/CHF	Notional amount CHF	–	10 000
		Positive replacement value CHF	–	0
		Negative replacement value CHF	–	0
Total		Notional amount CHF	258 233	132 354
		Positive replacement value CHF	9 546	7 258
		Negative replacement value CHF	12 151	2 288
	Maximum risk equals the sum of the positive replacement values. This risk is considered being minimal, as the counterparties are first-rate financing institutions.			

#### Credit risks

The short and medium-term deposits are placed with institutions having high credit standings. Trade accounts receivable are shown after deducting provisions for bad debts.

#### Risks of changes of interest rate

The EMS Group uses various instruments to secure financial costs and to hedge changes in interest rates. For the interest rate of bonds, short and medium-term bank liabilities refer to notes 17, 18 and 22.

Notes	1999 (CHF '000)	1998 (CHF '000)
27 Earnings per share – EPS		
Earnings per share are calculated by dividing the Group's net income (net of minority interests) by the weighted average of shares entitled to dividend (excluding treasury shares). "Fully diluted earnings per share" pays due regard to any dilution which may be caused by the exercising of warrant and conversion rights on outstanding bond issues.		
Earnings per share details are as follows:		
Net income	209 528	160 597
Weighted average of bearer shares entitled to dividend	376 000	384 000
Weighted average of registered shares entitled to dividend	729 300	729 300
Weighted average of bearer shares (fully diluted)	376 000	384 000
Weighted average of registered shares (fully diluted)	729 300	729 300
Earnings per bearer share entitled to dividend (CHF)	401.50	303.09
Earnings per registered share entitled to dividend (CHF)	80.30	60.62
Earnings per bearer share (fully diluted) (CHF)	401.50	303.09
Earnings per registered share (fully diluted) (CHF)	80.30	60.62
Earnings per bearer share as of 31. 12. (CHF)	401.50	307.74
Earnings per registered share as of 31. 12. (CHF)	80.30	61.55
There are no facts with a dilutive effect on earnings per share calculation.		
28 Significant shareholders		
<p>           Holders of registered shares:            Emesta Holding AG, Zug, 728 826 registered shares                Percentage of capital held (CHF 7 288 260 of CHF 26 093 000)                Percentage of voting rights held (728 826 of 1 105 300 votes)         </p>	<p>           27.93%            65.94%         </p>	<p>           27.93%            65.94%         </p>
<p>           Holder of bearer shares:            Emesta Holding AG, Zug, 188 500 bearer shares                Percentage of capital held (CHF 9 425 000 of CHF 26 093 000)                Percentage of voting rights held (188 500 of 1 105 300 votes)         </p>	<p>           36.12%            17.05%         </p>	<p>           31.02%            14.65%         </p>
A representation of other significant shareholders is not known to the Board of Directors.		
Emesta Holding AG is controlled by the Chairman of EMS-CHEMIE HOLDING AG (see note 32).		
29 Transactions with related parties		
Transactions with related parties (see note 32) are done at arm's length conditions.		
30 Subsequent events		
There are no events to be reported.		

Notes

31 List of subsidiaries and minority holdings (at 31.12.99)

Name	Domicile	Group	Holding direct	Category	Consolidation
EMS-CHEMIE HOLDING AG	Domat/Ems			D	K
BUSINESS AREA PERFORMANCE POLYMERS					
<u>Business Unit EMS-CHEMIE / Business Unit EMS-PRIMID</u>					
EMS-CHEMIE AG	Domat/Ems	100.00%	100.00%	P,V	K
EMS-CHEMIE (France) S.A.	Boulogne	100.00%	100.00%	V	K
EMS-CHEMIE (UK) Ltd.	Stafford	100.00%	100.00%	V	K
EMS-CHEMIE (Japan) Ltd.	Tokyo	70.00%	70.00%	V	K
EMS-UBE Ltd. *	Ube	49.00%	49.00%	P	E
EMS-CHEMIE (Asia) Ltd.	Taipei	100.00%	100.00%	P,V	K
EMS-CHEMIE (Deutschland) GmbH	Gross-Umstadt	100.00%	100.00%	P,V	K
EMS-GRILON HOLDING INC.	Wilmington	100.00%	95.87%	D	K
EMS-CHEMIE (North America) Inc.	Sumter	100.00%	100.00%	P,V	K
<u>Business Unit EMS-TOGO</u>					
EFTEC Europe Holding AG	Zug	70.00%	70.00%	D	K
EFTEC AG	Romanshorn	70.00%	100.00%	P,V	K
EFTEC Sàrl	Le Vésinet	70.00%	100.00%	V	K
EFTEC AB	Hässleholm	70.00%	100.00%	P,V	K
EFTEC Ltd.	Rhigos	70.00%	100.00%	P,V	K
EFTEC NV	Genk	70.00%	100.00%	P,V	K
EFTEC S. A.	Zaragoza	70.00%	100.00%	P,V	K
EFTEC Asia Pte. Ltd.	Singapore	42.00%	60.00%	D,V	K
EFTEC (Thailand) Co. Ltd.	Rayoung	42.00%	100.00%	P,V	K
Shanghai EFTEC Chemical Products Ltd.	Shanghai	25.20%	60.00%	P,V	K
EFTEC GmbH	Lügde	70.00%	100.00%	P,V	K
EMS-TOGO Corp.	Taylor	100.00%	100.00%	D	K
DINOL Int. Inc. USA	Taylor	100.00%	100.00%	D	K
EFTEC North America, L.L.C.	Madison Heights	30.00%	30.00%	P,V	E
DINOL Holding AB	Hässleholm	100.00%	100.00%	D	K
DINOL AB	Hässleholm	100.00%	100.00%	P,V	K
DINOL (U.S.) Inc.	Redmond	100.00%	100.00%	V	K
DINOL Pyrmo GmbH	Lügde	100.00%	100.00%	P,V	K
Pyrmo fix Verwaltungsgesellschaft mbH	Lügde	100.00%	100.00%	D	K
Pyrmo Chemie Verwaltungsgesell. mbH	Lügde	100.00%	100.00%	D	K
SEGURO Corp.	Detroit	100.00%	100.00%	D	K
BUSINESS AREA FINE CHEMICALS					
<u>Business Unit EMS-DOTTIKON</u>					
EMS-DOTTIKON AG	Dottikon	100.00%	100.00%	P,V	K



---

Notes

Name	Domicile	Group	Holding direct	Category	Consoli- dation
<b>BUSINESS AREA ENGINEERING</b>					
<u>Business Unit EMS-PATVAG</u>					
EMS-PATVAG AG	Domat/Ems	100.00%	100.00%	P,V	K
<u>Business Unit INVENTA-FISCHER</u>					
INVENTA-FISCHER AG	Zurich	100.00%	100.00%	P,V	K
GRIVELA AG	Zurich	100.00%	100.00%	D	K
EMS-INVENTA ANLAGENBAU (Holding) GmbH	Berlin	100.00%	79.77%	D	K
EMS-INVENTA ANLAGENBAU (Berlin) GmbH	Berlin	100.00%	100.00%	D	K
INVENTA-FISCHER GmbH & Co. KG	Berlin	100.00%	100.00%	P,V	K
<u>Business Unit POWER STATIONS</u>					
KRAFTWERKE FRISAL AG	Breil/Brigels	80.60%	80.60%	P,V	K
KRAFTWERKE REICHENAU AG	Tamins	75.00%	75.00%	P,V	K
PATVAG KRAFTWERKE AG	Domat/Ems	100.00%	100.00%	P,V	K
<u>OTHERS</u>					
Lonza Group AG	Zurich	8.24%	8.24%	D	B
EMS-SYNTECH GmbH	Grenzach	20.00%	20.00%	P,V	B
Category:		Consolidation:			
P = Production		K = Fully-consolidated			
V = Trade, sale		E = Equity-valuation			
D = Financing, various		B = Book value			
		*Joint Venture with joint control			

32 Related parties

Name	Domicile	Country
Emesta Holding AG	Zug	Switzerland

33 Change in scope of consolidation

---

Fully consolidated:

Additions:

INVENTA-FISCHER GmbH & Co. KG

Since January 1, 1999, this company has been fully consolidated. On February 8, 1999, EMS-INVENTA ANLAGENBAU (Holding) GmbH acquired the remaining 10% retroactively as of January 1, 1999. In 1998 this company was valued at equity.

PYRMO Group

Since January 1, 1999, this Group has been fully consolidated. The Group was acquired as of August 1, 1998. In 1998 the PYRMO Group was valued at acquisition cost.

EFTEC GmbH

On February 19, 1999, DINOL GmbH acquired EFTEC GmbH. Subsequently EFTEC GmbH took over part of the activities of Pyrmo Chemie GmbH Co. KG and was sold to EFTEC Europe Holding AG.

EFTEC (Thailand) Co. Ltd.

In March 1999 the 20% minority interest were acquired. Now, the holding is 100%.

EMS-CHEMIE (Deutschland) GmbH / EMS-POLYLOY GmbH

As of January 1, 1999, these two companies merged under the name of EMS-CHEMIE (Deutschland) GmbH.

Disposals:

EMS-SYNTECH GmbH

On July 9, 1999, a 80% share was sold retroactively as of January 1, 1999. The remaining 20% are shown under other participations.

Valuation at equity:

Disposals:

INVENTA-FISCHER GmbH & Co. KG (see additions under fully consolidated)

Valuation at book value:

Disposals:

Alusuisse-Lonza Holding AG

On November 1, 1999, there was a spin-off of all chemical and energy activities into the new Lonza Group AG. The holding in the remaining company, called A.P.A., was transferred into securities in the working capital.

PYRMO Group (see additions under fully consolidated)

---

Notes

---

34 Associated companies

---

EMS-UBE Ltd.

Domicile		Ube, Japan
Percentage of holding		49.00%
Financial year	April 1, 1998 – March 31, 1999	
Category		Production
Currency		JPY
Revenue p.a.	KCHF	131 945
Fixed assets	KCHF	27 028
Current assets	KCHF	37 726
Shareholders' equity	KCHF	24 105
Liabilities	KCHF	40 649
Net income	KCHF	711

---

Between April 1, 1999 and December 31, 1999, no events occurred that materially influenced shareholders' equity.

EFTEC North America, L.L.C.

Domicile		Madison Heights, USA
Percentage of holding		30.00%
Financial year	December 1, 1998 – November 30, 1999	
Category		Production, Sale
Currency		USD
Revenue p.a.	KCHF	156 117
Fixed assets	KCHF	64 568
Current assets	KCHF	52 793
Shareholders' equity	KCHF	90 849
Minority interests	KCHF	4
Liabilities	KCHF	26 508
Net income	KCHF	6 532

---

Between December 1, 1999 and December 31, 1999, no events occurred that materially influenced shareholders' equity.

## Report of the Group Auditors

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

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, cash flow statement and notes to the consolidated financial statements/pages 9 to 34) of EMS-CHEMIE HOLDING AG for the year ended December 31, 1999.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Accounting Standards (IAS) and comply with the law and the accounting provisions as contained in the Listing Rules of the Swiss Exchange.

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

Zurich, March 6, 2000

PricewaterhouseCoopers AG

Willi Grau    Matthias von Moos

**Annual Accounts**  
**EMS-CHEMIE HOLDING AG**

**(for Fiscal Year May 1, 1999 – April 30, 2000)**



EMS-CHEMIE HOLDING AG  
Domat/Ems Switzerland

## Income Statement May 1, 1999, to April 30, 2000

	Notes	1999/2000 (CHF '000)	1998/99 (CHF '000)
<b>INCOME</b>			
Financial income			
Interest income from third parties		2 836	205
Interest income from group companies and related parties	1	13 045	11 136
Income from securities		124 190	7
Income from participations		122 534	110 640
Other operating income		119	13 275
Extraordinary income		100	0
<b>Total income</b>		<b>262 824</b>	<b>135 263</b>
<b>EXPENSES</b>			
Financial expenses			
Interest expenses to third parties		14 328	9 746
Interest expenses to group companies and related parties	2	5 513	3 891
Foreign exchange differences, net	3	10 676	838
Bank charges, duties, fees		566	171
Value adjustments to participations		0	21 000
Office and administration expenses			
Consultancy fees and professional fees		409	494
Office and administration expenses		1	49
Extraordinary expenses		176	663
<b>Total expenses</b>		<b>31 669</b>	<b>36 852</b>
<b>Net income before taxes</b>		<b>231 155</b>	<b>98 411</b>
<b>Taxes</b>		<b>6 548</b>	<b>318</b>
<b>Net income</b>		<b>224 607</b>	<b>98 093</b>

## Balance Sheet as of April 30, 2000

	Notes	1999/2000 (CHF '000)	1998/99 (CHF '000)
Fixed assets		817 077	1 148 011
Investments	4	603 587	923 041
Loans to group companies		213 490	224 970
Current assets		301 854	99 436
Prepayments and accrued income		44 026	1 039
Securities	5	212 053	112
Accounts receivable			
from third parties		42 838	33 971
from group companies		2 718	46 348
Cash and cash equivalents	6	219	17 966
<b>TOTAL ASSETS</b>		<b>1 118 931</b>	<b>1 247 447</b>
Shareholders' equity	7	442 190	217 583
Share capital	8-10	26 093	26 093
Legal reserves		70 000	70 000
Other reserves		10 000	10 000
Retained earnings	11		
Balance brought forward		111 490	13 397
Net income		224 607	98 093
Liabilities		676 741	1 029 864
Long-term liabilities		528 441	349 657
Loans from group companies		56 922	65 922
Bank loans		457 784	270 000
Provisions	12	13 735	13 735
Short-term liabilities		148 300	680 207
Accruals and deferred income		2 023	2 394
Accounts payable to third parties	13	144 842	265 542
Accounts payable to group companies and related parties	14	1 435	412 271
<b>TOTAL LIABILITIES</b>		<b>1 118 931</b>	<b>1 247 447</b>
Balance sheet equity ratio		39.5%	17.4%

## Notes to the Financial Statements 1999/2000

### Accounting principles

#### 1. General

---

The financial statements of EMS-CHEMIE HOLDING AG have been prepared under the historical cost convention, and are in accordance with the provisions of Swiss law. Assets, liabilities and shareholders' equity continue to be valued using conservative accounting principles.

The financial year differs from the calendar year (closing per April 30).

Companies in which EMS-CHEMIE HOLDING AG's shareholding is in excess of 50% (voting rights) are designated as group companies.

#### 2. Foreign currency translation

---

Revenue and expenditure in foreign currencies are translated into Swiss francs for the profit and loss account at the average rates

for the month in which they arose. Financial assets and current assets are translated at the year-end rate, as are current liabilities.

#### 3. Current assets

---

Appropriate value adjustments have been effected for balances subject to risk.

Securities are shown at the lower of cost or market value.

#### 4. Fixed assets

---

Investments in group companies and other companies are shown at purchase value less any value adjustments required.

#### 5. Liabilities

---

Non-current liabilities are shown at their redemption value. All outstanding expenditure items over CHF 5 000 in the current year are included in the profit and loss account and appear on the balance sheet as prepaid expenses and deferred income.



## Income Statement 1999/2000

Notes	1999/2000 (CHF '000)	1998/99 (CHF '000)
1 Interest income from group companies and related parties		
Interest income from group companies	11 672	10 817
Interest income from related parties	1 373	319
Interest income from group companies and related parties	13 045	11 136
2 Interest expenses to group companies and related parties		
Interest expenses to group companies	2 844	2 928
Interest expenses to related parties	2 669	963
Interest expenses to group companies and related parties	5 513	3 891
3 Foreign exchange differences, net		
Foreign exchange gains	175	831
Foreign exchange losses	10 851	1 669
Foreign exchange differences, net	(10 676)	(838)

## Balance Sheet per April 30, 2000

- 4 Investments  
On April 30, 2000 the direct participations of EMS-CHEMIE HOLDING AG were as follows:

Companies		Share capital in thousands	Interest in capital held	Purpose
EMS-CHEMIE AG, Domat/Ems	CHF	4 000	100.00	Production
EMS-CHEMIE (Asia) Ltd., Taipei	TWD	280 000	100.00	Production
EMS-CHEMIE (Deutschland) GmbH, Gross-Umstadt	DEM	5 000	100.00	Production
EMS-GRILON HOLDING INC., Wilmington	USD	2 420	95.87	Financing
EFTEC Europe Holding AG, Zug	CHF	8 000	70.00	Financing
EMS-TOGO Corp., Taylor	USD	7 287	100.00	Financing
DINOL Holding AB, Hässleholm	SEK	100	100.00	Financing
EMS-DOTTIKON AG, Dottikon	CHF	600	100.00	Production
INVENTA-FISCHER AG, Zurich	CHF	500	100.00	Production
EMS-INVENTA ANLAGENBAU (Holding) GmbH, Berlin	DEM	6 268	79.77	Financing
EMS-PATVAG AG, Domat/Ems	CHF	200	100.00	Production
KRAFTWERKE FRISAL AG, Breil/Brigels	CHF	2 000	80.60	Production
KRAFTWERKE REICHENAU AG, Tamins	CHF	1 000	75.00	Production
PATVAG KRAFTWERKE AG, Domat/Ems	CHF	2 200	100.00	Production
Lonza Group AG, Zurich	CHF	64 340	9.01	Financing
EMS-SYNTECH GmbH, Grenzach	DEM	600	20.00	Production
Book value			603 587	923 041
The voting rights held correspond to the interest in capital held.				

Notes		1999/2000 (CHF '000)	1998/99 (CHF '000)				
5	Securities						
	Book value	212 053	112				
	Market value per April 30	323 735	215				
6	Cash and cash equivalents						
	Interest-bearing deposits placed with banks	219	17 966				
7	Shareholders' equity						
	Balance per May 1	217 583	321 090				
	Capital redemption						
	Par value	0	(1 200)				
	Surplus	0	(200 400)				
	Net income (see note 11)	224 607	98 093				
	Balance per April 30	442 190	217 583				
8	Share capital						
	Composition	1999/2000					
		Par value	Number	Percentage of voting rights	Percentage of capital		
	Registered shares	CHF 10	729 300	65.98%	27.95%	7 293	7 293
	Bearer shares	CHF 50	376 000	34.02%	72.05%	18 800	18 800
	Share capital					26 093	26 093
	Development						
	Balance per May 1					26 093	27 293
	(Capital redemption – par value)					0	(1 200)
	Balance per April 30					26 093	26 093
	The redemption 1998/99 was made by repurchase and destruction of 24 000 bearer shares.						
	Registered shares are not traded on the stock exchange.						
9	Treasury shares						
	Bearer shares		Number				
			1999/2000	1998/99			
	Balance per May 1		0	0			
	Purchase		0	24 000			
	Destruction		0	(24 000)			
	Balance per April 30		0	0		0	0

Notes	1999/2000 (CHF '000)	1998/99 (CHF '000)
10 Significant shareholders		
Holders of registered shares:		
Emesta Holding AG, Zug, 728 826 registered shares		
Percentage of capital held (CHF 7 288 260 of CHF 26 093 000)	27.93%	27.93%
Percentage of voting rights held (728 826 of 1 105 300 votes)	65.94%	65.94%
Holders of bearer shares:		
Emesta Holding AG, Zug, 193 200 bearer shares		
Percentage of capital held (CHF 9 660 000 of CHF 26 093 000)	37.02%	33.44%
Percentage of voting rights held (193 200 of 1 105 300 votes)	17.48%	15.79%
A representation of other significant shareholders is not known to the Board of Directors. Emesta Holding AG is controlled by the Chairman of EMS-CHEMIE HOLDING AG. Transactions between EMS-CHEMIE HOLDING AG and Emesta Holding AG are shown as transactions with related parties and are carried out at arm's length.		
11 Retained earnings		
Balance brought forward	111 490	213 797
Capital redemption (surplus)	0	(200 400)
Net income	224 607	98 093
Retained earnings	336 097	111 490
12 Provisions		
Provisions for general risks	13 735	13 735
13 Accounts payable to third parties		
Accounts payable to third parties	14	2 131
Income tax liabilities	4 369	1 500
Fixed advances from banks	140 459	261 911
Accounts payable to third parties	144 842	265 542
14 Accounts payable to group companies and related parties		
Accounts payable to group companies	1 435	90 241
Accounts payable to related parties	0	322 030
Accounts payable to group companies and related parties	1 435	412 271
15 Contingent liabilities		
Guarantees (maximum liability)	15 547	8 200

## Proposals of the Board of Directors

The Board of Directors will present to the Ordinary Shareholders' Meeting of August 19, 2000 the following proposals regarding the 1999/2000 financial year:

1. approval of the Annual Report and the consolidated financial statements per December 31, 1999 and the financial statements for the year ended April 30, 2000;
2. discharge of the Board of Directors from its responsibilities for the conduct of the business;
3. distribution of available retained earnings consisting of:

	1999/2000	1998/99
Net income	224 607 441.04	98 093 209.28
Miscellaneous	178.75	359.45
Withdrawal for repurchase of shares	0.00	(200 400 000.00)
Balance brought forward	111 490 263.01	213 796 694.28
Retained earnings	336 097 882.80	111 490 263.01
to be appropriated as follows:		
Balance to be carried forward	336 097 882.80	111 490 263.01
Retained earnings	336 097 882.80	111 490 263.01

Domat/Ems, May 26, 2000

EMS-CHEMIE HOLDING AG  
The Chairman of the Board of Directors  
Dr. Christoph Blocher

### Report of the Auditors

Report of the Statutory auditors to the General Meeting of EMS-CHEMIE HOLDING AG 7013 Domat/Ems

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes/pages 38 to 44) of EMS-CHEMIE HOLDING AG for the year ended April 30, 2000.

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

ing professional qualification and independence.

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

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

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

Zurich, May 26, 2000

R. BRÜTSCH  
Swiss Certified Accountant  
R. Brütsch

PricewaterhouseCoopers AG  
Willi Grau Matthias von Moos

## Addresses of EMS Companies, Switzerland

### \*EMS-CHEMIE HOLDING AG

Selnaustrasse 16, Postfach  
CH-8039 Zürich  
Tel. +41 1 284 18 80  
Fax +41 1 284 18 98  
<http://www.ems-group.com>  
E-Mail: [info@ems-group.com](mailto:info@ems-group.com)

### INVENTA-FISCHER AG

Reichenauerstrasse  
CH-7013 Domat/Ems  
Tel. +41 81 632 63 11  
Fax +41 81 632 74 03  
<http://www.inventa-fischer.com>  
E-Mail: [info@inventa-fischer.com](mailto:info@inventa-fischer.com)

### \*\*EMS-CHEMIE HOLDING AG

Kugelgasse 22  
Postfach  
CH-8708 Männedorf  
Tel. +41 1 921 00 00  
Fax +41 1 921 00 01  
<http://www.ems-group.com>  
E-Mail: [info@ems-group.com](mailto:info@ems-group.com)

### \*INVENTA-FISCHER AG

Selnaustrasse 16, Postfach  
CH-8039 Zürich  
Tel. +41 1 284 18 60  
Fax +41 1 284 18 79  
<http://www.inventa-fischer.com>  
E-Mail: [info@inventa-fischer.com](mailto:info@inventa-fischer.com)

### EMS-CHEMIE AG

Reichenauerstrasse  
CH-7013 Domat/Ems  
Tel. +41 81 632 61 11  
Fax +41 81 632 74 01  
<http://www.emschem.com>  
E-Mail: [welcome@emschem.com](mailto:welcome@emschem.com)

### \*\*INVENTA-FISCHER AG

Kugelgasse 22  
Postfach  
CH-8708 Männedorf  
Tel. +41 1 921 01 40  
Fax +41 1 921 01 49  
<http://www.inventa-fischer.com>  
E-Mail: [info@inventa-fischer.com](mailto:info@inventa-fischer.com)

### \*EMS-CHEMIE AG

Selnaustrasse 16, Postfach  
CH-8039 Zürich  
Tel. +41 1 284 18 80  
Fax +41 1 284 18 98  
<http://www.emschem.com>  
E-Mail: [welcome@emschem.com](mailto:welcome@emschem.com)

### EMS-PATVAG AG

Reichenauerstrasse  
CH-7013 Domat/Ems  
Tel. +41 81 632 75 45  
Fax +41 81 632 74 36  
E-Mail: [welcome@emspatvag.com](mailto:welcome@emspatvag.com)

### \*\*EMS-CHEMIE AG

Kugelgasse 22  
Postfach  
CH-8708 Männedorf  
Tel. +41 1 921 00 00  
Fax +41 1 921 00 01  
<http://www.emschem.com>  
E-Mail: [welcome@emschem.com](mailto:welcome@emschem.com)

### EFTEC AG

Hofstrasse 31  
CH-8590 Romanshorn  
Tel. +41 71 466 43 00  
Fax +41 71 466 43 01  
<http://www.eftec.ch>

### EMS-PRIMID

Reichenauerstrasse  
CH-7013 Domat/Ems  
Tel. +41 81 632 70 11  
Fax +41 81 632 74 64  
E-Mail: [infoline@ems-primid.com](mailto:infoline@ems-primid.com)

### KRAFTWERKE FRISAL AG

Postfach  
CH-7130 Illanz  
Tel. +41 81 920 05 50  
Fax +41 81 920 05 60

### EMS-DOTTIKON AG

CH-5605 Dottikon  
Tel. +41 56 616 81 11  
Fax +41 56 616 81 20  
<http://www.ems-dottikon.ch>  
E-Mail: [dottikon@ems-dottikon.ch](mailto:dottikon@ems-dottikon.ch)

### KRAFTWERKE REICHENAU AG

Postfach  
CH-7130 Illanz  
Tel. +41 81 920 05 50  
Fax +41 81 920 05 60

### EMS-DOTTIKON AG

CH-5605 Dottikon  
Tel. +41 56 616 81 11  
Fax +41 56 616 81 20  
<http://www.ems-dottikon.ch>  
E-Mail: [dottikon@ems-dottikon.ch](mailto:dottikon@ems-dottikon.ch)

### PATVAG KRAFTWERKE AG

Postfach  
CH-7130 Illanz  
Tel. +41 81 920 05 50  
Fax +41 81 920 05 60

\* valid until November 3, 2000

\*\* from November 6, 2000 the Zurich headquarters of the three EMS companies EMS-CHEMIE HOLDING AG, EMS-CHEMIE AG and INVENTA-FISCHER AG will be located at Männedorf near Zurich.

## Addresses of EMS Companies, Worldwide

### Belgium

EFTEC NV  
Henry Fordlaan 1  
B-3600 Genk  
Tel. +32 89 61 27 86  
Fax +32 89 61 27 93

### China

Shanghai EFTEC  
Chemical Products Ltd.  
521 Guang Hua Road  
Hu Min Road  
Shanghai 201108  
P.R. China  
Tel. +86 21 6489 1122/66  
Fax +86 21 6489 1199

Changchun EFTEC  
Chemical Products Ltd.  
No. 2-1 Hua Xiang Road  
Luyuan District  
Changchun, Postal Code 130111  
P.R. China  
Tel. +86 431 789 7880  
Fax +86 431 789 7881

### Czech Republic

D PLAST – EFTEC a.s.  
Lužkovice 206  
CZ-763 11 Zlín  
Czech Republic  
Tel. +420 67 700 44 11  
Fax +420 67 700 44 44

### Germany

EMS-CHEMIE  
(Deutschland) GmbH  
Warthweg 14  
D-64823 Gross-Umstadt  
Tel. +49 6078 783 0  
Fax +49 6078 783 416  
E-Mail: welcome@de.emschem.com

EFTEC GmbH  
Pyrmonter Strasse 76  
D-32676 Lügde  
Tel. +49 5281 98 2980  
Fax +49 5281 98 29860

INVENTA-FISCHER GmbH  
Holzhauser Strasse 157-159  
D-13509 Berlin  
Tel. +49 30 43 567 5  
Fax +49 30 43 567 699  
<http://www.inventa-fischer.de>  
E-Mail: manager@inventa-fischer.de

DINOL PYRMO GmbH  
Pyrmonter Strasse 76  
D-32676 Lügde  
Tel. +49 5281 97 400  
Fax +49 5281 97 4050

### France

EMS-CHEMIE (France) SA  
73-77, rue de Sèvres  
Boîte postale 52  
F-92105 Boulogne-Billancourt  
Tel. +33 1 41 10 06 10  
Fax +33 1 48 25 56 07  
E-Mail: welcome@fr.emschem.com

EFTEC Sàrl  
131, boulevard Carnot  
F-78110 Le Vésinet  
Tel. +33 134 80 06 67  
Fax +33 139 76 48 26

### Great Britain

EMS-CHEMIE (UK) Ltd.  
Drummond Road  
Astonfields Industrial Estate  
GB-Stafford ST16 3HJ  
Tel. +44 1785 607 580  
Fax +44 1785 607 570  
E-Mail: welcome@uk.emschem.com

EFTEC Ltd.  
Rhigos/Aberdare  
GB-Mid Glamorgan CF44 9UE  
Tel. +44 1685 81 54 00  
Fax +44 1685 81 39 97

### India

EFTEC Shroff India Limited  
Excel Estate  
S.V. Road, Goregaon (West)  
Mumbai 400 062  
India  
Tel. +91 22 872 3865  
Fax +91 22 872 5119

Japan

\*EC-SHOWA DENKO K.K.  
Yutaka Bldg.  
4-9-3, Taito  
Taito-ku  
110-0016, Tokyo  
Tel. +81 3 3832 1501  
Fax +81 3 3832 1503  
E-Mail: welcome@jp.emschem.com

Russia

ООО  
«CBS Automotive Elabuga»  
Tanayevskoye shosse 2  
423 630 Elabuga  
Republic Tatarstan – Russia  
Tel. +7 85 557 519 40  
Fax +7 85 557 519 41

ZAO «Nizhegorodplast»  
Pr. Lenina 88  
603 004 Nizhnyj Novgorod  
Russia  
Tel. +7 8312 92 41 03  
Fax +7 8312 32 75 74

Sweden

EFTEC AB  
Spångatan 3  
S-28122 Hässleholm  
Tel. +46 451 880 00  
Fax +46 451 880 44

DINOL AB  
Spångatan 3  
S-28122 Hässleholm  
Tel. +46 451 880 00  
Fax +46 451 880 88

Singapore

EFTEC Asia Pte. Ltd.  
No. 4, Changi South Lane,  
# 06-01 Nan Wah Bldg.  
Singapore 486127  
Tel. +65 545 82 01  
Fax +65 545 92 06

Spain

EFTEC S.A.  
Carretera Logroño km 29,2  
E-50639 Figueruelas (Zaragoza)  
Tel. +34 976 65 62 69  
Fax +34 976 65 62 70

Taiwan

EMS-CHEMIE (Asia) Ltd.  
36, Kwang Fu South Road  
Hsin Chu Industrial Park  
Fu Kou Hsiang, Hsin Chu Hsien  
Taiwan, R.O.C.  
Tel. +886 35 985 335  
Fax +886 35 985 345  
E-Mail: welcome@tw.emschem.com

United States

EMS-CHEMIE  
(North America) Inc.  
2060 Corporate Way  
P.O. Box 1717  
Sumter, SC 29151, USA  
Tel. +1 803 481 91 73  
Fax +1 803 481 38 20  
E-Mail: welcome@us.emschem.com

EMS-DOTTIKON AG

US-Office  
One Paragon Drive, Suite 210  
Montvale, NJ 07645  
USA  
Tel. +1 201 476 92 29  
Fax +1 201 476 93 13  
<http://www.ems-dottikon.ch>  
E-Mail: ems-dottikon.us@ems-dottikon.ch

DINOL (US) Inc.  
14826 N E 95th Street  
Redmond, WA 98052  
USA  
Tel. +1 425 556 51 14  
Fax +1 425 556 01 96

Thailand

EFTEC (Thailand) Co. Ltd.  
Eastern Seaboard Industrial Estate  
(Rayong)  
109/10 Moo 4, Pluakdaeng  
Rayong 21140/Thailand  
Tel. +66 38 954271-4  
Fax +66 38 954270

Ukraine

ZAO «Plastol»  
Ul. Chubanova 5  
330 118 Zaporozhye  
Ukraine  
Tel. +380 612 138 568  
Fax +380 612 138 568

\*ex EMS-CHEMIE (Japan) Ltd.



PERFORMANCE POLYMERS FINE CHEMICALS ENGINEERING