Dottikon ES Holding AG
P.O. Box, 5605 Dottikon, Switzerland, Tel +41 56 616 82 01, Fax +41 56 616 89 45, www.dottikon.com

2005/06 Half-Year Report

Dottikon ES Holding AG

2005/06
Half-Year Report

Your Specialist for Hazardous Reactions.

Content

Dear Shareholder,

This is the first Half-Year Report for the business year 2005/06 of DOTTIKON ES Group being independent starting March 31, 2005. The report covers the period from April 1 to September 30, 2005. The full business year of DOTTIKON ES Group is from April to March of the following year.

DOTTIKON ES differentiates itself as a specialist for hazardous chemical reactions. Based on our specific know-how in the field of exclusive synthesis combined with the selective extension of our profound experience in hazardous reactions, we improve our position continuously. The market-oriented development and use of our technologies in the field of hazardous reactions, rapid product-specific process development and seamless production – from gram to multitons – of high-quality intermediates and active pharmaceutical ingredients (APIs) and supplying these to leading pharmaceutical and industrial companies around the world are key elements of our strategic positioning.

KEY FIGURES, APRIL–SEPTEMBER

CHF million		2004*	2005
*Pro forma	Net sales	55.7	58.9
	EBITDA	14.4	12.3
	EBITDA margin (in % of net sales)	25.9%	20.9%
	EBIT	8.3	6.4
	EBIT margin (in % of net sales)	14.8%	10.9%
	Net income	6.8	5.2
	Net income margin (in % of net sales)	12.2%	8.9%
	Operating cash flow	2.5	12.9

In the past half year, market conditions were still affected by the ongoing wave of consolidation. The numbers of shut-downs, offers and acquisitions of production sites were a clear sign. In comparison to the previous year, competitive pressure from Asian suppliers was interestingly slightly lower. We attribute this effect to price increases related to currency rates and raw material costs, as well as partially missing reliability. On the other hand we got hit by an unexpected price war mainly caused by European suppliers fighting for capacity utilization in the small-scale and pilot plant range.

We got good resonance from the market with respect to our positioning as specialist for hazardous reactions and our dedication to reach performance leadership. During the reporting period, the number of project requests and acquisitions that involve our core technologies as well as the number of audits performed by our customers has increased. Nevertheless, facing current market conditions, we did not yet always manage to keep up the pace of implementation at our high-set speed limit. With respect to the previous year, the increased net sales were affected by lower utilization in the small-scale and pilot plants, higher raw material costs and future-oriented development in core technologies, resulting in lower net income.

We continue the implementation of our strategic positioning as specialist of hazardous reactions and dedication to performance leadership. The utilization of the small-scale and pilot plants will improve for the second half of the business year due to project- and customer-specific measures, partially already implemented. The pass over of higher raw material costs to our customers will be continued. For the full business year 2005/06 we expect a net income in the range of the previous period having slightly lower net sales.

Dottikon, November 22, 2005

Dr Markus Blocher
Chief Executive Officer

Financial Report

Consolidated Income Statements

April–September
CHF thousand and % (unaudited)
Notes, No 2
*Pro forma

[1] Previous year (pro forma) was calculated with the shares pro forma without the consideration of own shares, because at that moment no own shares were held

	2004*	%	2005	%
Net sales	**55,687**	**100.0**	**58,941**	**100.0**
Changes in semi-finished and finished goods	6,117		46	
Other operating income	1,351		1,360	
Material expenses	–19,618		–17,941	
Personnel expenses	–20,778		–21,112	
Other operating expenses	–8,309		–8,983	
EBITDA	**14,450**	**25.9**	**12,311**	**20.9**
Depreciation and amortization	–6,186		–5,868	
EBIT	**8,264**	**14.8**	**6,443**	**10.9**
Financial income	1,061		1,048	
Financial expenses	–666		–1,070	
Financial result	**395**		**–22**	
Net income before taxes	**8,659**	**15.5**	**6,421**	**10.9**
Income taxes	–1,871		–1,203	
Net income	**6,788**	**12.2**	**5,218**	**8.9**
Basic earnings per share in CHF[1]	**5.33**		**4.23**	
Diluted earnings per share in CHF[1]	**5.33**		**4.23**	
Weighted average number of shares[1]	**1,272,644**		**1,233,347**	

Consolidated Balance Sheets

CHF thousand and % (unaudited)
Notes, No 3

	31.03.2005	%	30.09.2005	%
Intangible assets	627		475	
Property, plant and equipment	193,444		190,896	
Financial assets	23,371		23,283	
Non-current assets	**217,442**	**68.8**	**214,654**	**69.0**
Inventories	55,509		55,125	
Trade receivables	27,725		22,244	
Other receivables	3,352		3,176	
Cash and cash equivalents	12,090		15,925	
Current assets	**98,676**	**31.2**	**96,470**	**31.0**
Assets	**316,118**	**100.0**	**311,124**	**100.0**
Share capital	6,363		6,363	
Share premium	60,000		60,030	
Own shares	–7,915		–7,723	
Retained earnings	185,344		190,465	
Shareholders' equity	**243,792**	**77.1**	**249,135**	**80.1**
Deferred tax liabilities	43,841		43,223	
Non-current liabilities	**43,841**	**13.9**	**43,223**	**13.9**
Trade payables	8,398		6,760	
Income tax liabilities	1,579		3,048	
Other current liabilities	18,508		8,958	
Current liabilities	**28,485**	**9.0**	**18,766**	**6.0**
Liabilities	**72,326**	**22.9**	**61,989**	**19.9**
Shareholders' equity and liabilities	**316,118**	**100.0**	**311,124**	**100.0**

Consolidated Cash Flow Statements

April–September
CHF thousand (unaudited)
Condensed
Notes, No 4
*Pro forma

	2004*	2005
Net income	6,788	5,218
Depreciation of property, plant and equipment	5,669	5,716
Amortization of intangible assets	517	152
Other non-cash income and expenses	0	–21
Changes in		
Trade receivables	–8,417	5,481
Other receivables	97	176
Inventories	–3,984	384
Trade payables	–1,843	–1,638
Income tax liabilities	1,563	1,469
Other current liabilities	1,771	–3,450
Deferred tax liabilities	316	–618
Cash flow from operating activities	**2,477**	**12,869**
Additions to		
Intangible assets	–237	0
Property, plant and equipment	–5,314	–3,279
Financial assets	0	0
Disposals of		
Intangible assets	0	0
Property, plant and equipment	0	27
Financial assets	3	88
Cash flow from investing activities	**–5,548**	**–3,164**
Dividends paid	0	0
Purchase of own shares	0	–160
Disposal of own shares	0	390
Repayment loan	0	–6,100
Cash flow from financing activities	**0**	**–5,870**
Net change in cash and cash equivalents	**–3,071**	**3,835**
Cash and cash equivalents at the beginning of the reporting period	3,845	12,090
Cash and cash equivalents at the end of the reporting period	**774**	**15,925**

Consolidated Statement of Changes in Equity

CHF thousand (unaudited)
Notes, No 5
*Pro forma

	Share capital	Share premium	Own shares	Changes in fair value of foreign exchange forwards	Other retained earnings	Shareholders' equity
Balance 01.04.2004*						**240,949**
Net income*						6,788
Balance 30.09.2004*						**247,737**
Balance 01.10.2004*	**6,363**	**60,000**	**0**	**0**	**181,374**	**247,737**
Net income*					3,970	3,970
Changes in own shares			–7,915			–7,915
Balance 31.03.2005	**6,363**	**60,000**	**–7,915**	**0**	**185,344**	**243,792**
Balance 01.04.2005	**6,363**	**60,000**	**–7,915**	**0**	**185,344**	**243,792**
Net income					5,218	5,218
Changes in own shares		30	192			222
Changes in fair value of foreign exchange forwards				–97		–97
Balance 30.09.2005	**6,363**	**60,030**	**–7,723**	**–97**	**190,562**	**249,135**

Notes

Notes to the Consolidated Financial Statements

1 CORPORATE ACCOUNTING PRINCIPLES

Basis of preparation of the consolidated interim financial statements

These unaudited financial statements are the consolidated interim financial statements of DOTTIKON ES HOLDING AG and its subsidiaries for the six-month period ended September 30, 2005. These financial statements are prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

Before the spin-off DOTTIKON EXCLUSIVE SYNTHESIS AG (former EMS-DOTTIKON AG) was a subsidiary of EMS-Chemie Holding AG (EMS). The accounting principles applied are consistent with those applied to the consolidated financial statements of EMS for the year ended December 31, 2004, except where noted below.

The comparative figures are pro forma figures. These represent DOTTIKON ES Group as if the spin-off had been carried out before March 31, 2004, instead of in March 2005.

DOTTIKON ES Group's financial year changed from January 1 until December 31 to April 1 until March 31.

The preparation of the consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the consolidated interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the consolidated interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Income tax expense is recognized based upon the best estimate of the weighted average annual income tax rate expected for the full financial year.

Changes in corporate accounting principles

The International Accounting Standards Board (IASB) published improvements to International Accounting Standards, which affected 15 existing standards.

DOTTIKON ES Group assessed the impact of the newly applicable standards and did not identify any significant impact on the Group's equity and net income.

CALCULATION OF SHAREHOLDERS' EQUITY FROM HISTORICAL TO PRO FORMA

CHF thousand	**Shareholders' equity 31.12.2003 historical**	**202,425**
	IAS 16/Implementation "Components Approach" including tax impact	–17,335
	Change loan in shareholders' equity on the occasion of the spin-off	60,000
	Adjustments historical to pro forma	–6,696
	Shareholders' equity 31.12.2003 pro forma	**238,394**
	Net income 01.01.–31.03.2004 pro forma	2,555
	Shareholders' equity 31.03.2004 pro forma	**240,949**

CALCULATION OF NET INCOME FROM HISTORICAL TO PRO FORMA, APRIL–SEPTEMBER 2004

		Historical	Adjustment	Pro forma
CHF thousand	**Net sales**	**55,687**		**55,687**
	Changes in semi-finished and finished goods	6,117		6,117
	Other operating income	1,351		1,351
	Material expenses [1]	–19,818	200	–19,618
	Personnel expenses [2]	–20,378	–400	–20,778
	Other operating expenses [3]	–8,289	–20	–8,309
	EBITDA	**14,670**	**–220**	**14,450**
	Depreciation and amortization [4]	–6,796	610	–6,186
	EBIT	**7,874**	**390**	**8,264**
	Financial income	1,061		1,061
	Financial expenses [5]	–1,947	1,281	–666
	Financial result	**–886**	**1,281**	**395**
	Net income before taxes	**6,988**	**1,671**	**8,659**
	Income taxes	–1,508	–363	–1,871
	Net income	**5,480**	**1,308**	**6,788**

ADJUSTMENTS FOR PRO FORMA FIGURES

1 Lower energy costs (frame contract of EMS)
2 Increase in personnel costs after the spin-off
3 Increase in other operating expenses after the spin-off
4 Implementation "Components Approach", IAS 16
5 Change loan to shareholders' equity (interest expenses to EMS)

2 INCOME STATEMENT

Net sales in the reporting period increased by CHF 3.3 million (5.8%) compared to the same period of the previous year. The higher net sales were confronted by a CHF 6.1 million lower change in semi-finished and finished goods, which reduced the production performance by CHF 2.8 million. This lower production performance, combined with an increase in material expenses and research and development expenses, reduced the EBITDA by CHF 1.4 million. In addition, maintenance and repair was CHF 0.7 million higher than in the same period of last year, but will come down for the whole business year 2005/06 into the range of the previous year.

Financial income of CHF 1.0 million mainly consists of value adjustments of trade receivables in foreign currencies. On the opposite, financial expenses mainly show the impact of the valuation of foreign exchange forwards, which are used to hedge the trade receivables (Fair Value Hedge).

3 BALANCE SHEET

Non-current assets decreased from CHF 217.4 million to CHF 214.7 million, influenced by a CHF 2.5 million lower plant and equipment figure. Current assets slightly decreased by CHF 2.2 million. The main reason for that are lower trade receivables of CHF 5.5 million and CHF 3.8 million higher cash and cash equivalents.

Shareholders' equity increased by CHF 5.3 million and amounts to CHF 249.1 million, leading to an equity ratio of 80.1%. The increase in shareholders' equity was mainly influenced by the net income of CHF 5.2 million.

The strong decrease of CHF 9.6 million in other current liabilities is due to the repayment of the EMS short-term loan of CHF 6.1 million on the occasion of the spin-off and other spin-off costs paid in the reporting period.

4 CASH FLOW STATEMENT

Although net income decreased, cash flow from operating activities increased from CHF 2.5 million to CHF 12.9 million in the reporting period, compared to the same period last year. This result was mainly achieved by a favorable development of the net working capital. Investments in property, plant and equipment amounted to CHF 3.3 million, which was CHF 2.0 million lower than in the same period 2004. Cash flow from financing activities was mainly influenced by the repayment of the EMS short-term loan.

Cash and cash equivalents increased by CHF 3.8 million to CHF 15.9 million.

5 STATEMENT OF CHANGES IN EQUITY

Group restructuring

Before the spin-off, DOTTIKON EXCLUSIVE SYNTHESIS AG was a subsidiary of EMS.

In February 2005, DOTTIKON ES HOLDING AG and DOTTIKON ES MANAGEMENT AG were established.

Since then DOTTIKON ES HOLDING AG holds 100% of the shares of DOTTIKON EXCLUSIVE SYNTHESIS AG and of DOTTIKON ES MANAGEMENT AG.

6 SEGMENT REPORTING/BREAKDOWN BY BUSINESS AREA

The business area Fine Chemicals represents the core business of the company. Within this business, the company specializes on hazardous chemical reactions and focuses on the exclusive synthesis of fine chemicals for the pharmaceutical and chemical industry worldwide. The product range includes active pharmaceutical ingredients (APIs) and pharmaceutical intermediates as well as in-house-developed, high-value industrial chemicals.

Within the business area Recycling & Waste Treatment, the company distillates and recycles solvents and incinerates chemical wastes. With the on-site facilities, it handles primary its internal needs. In addition, the company enters into arrangements to manage waste from other players in order to increase capacity utilization.

In comparison with the listing prospectus we used a fine-tuned procedure to allocate fixed costs.

SEGMENT REPORTING/BREAKDOWN BY BUSINESS AREA, APRIL–SEPTEMBER

CHF thousand (unaudited)
*Pro forma

Primary segment	Net sales with other segments		Net sales with third parties		Net sales total		EBIT	
	2004*	2005	2004*	2005	2004*	2005	2004*	2005
Fine Chemicals	**0**	**0**	**53,501**	**56,228**	**53,501**	**56,228**	**7,632**	**5,437**
Recycling & Waste Treatment	**5,587**	**6,419**	**2,186**	**2,713**	**7,773**	**9,132**	**632**	**1,006**
Subtotal segments	5,587	6,419	55,687	58,941	61,274	65,360	8,264	6,443
./. Internal net sales	–5,587	–6,419			–5,587	–6,419		
Total	**0**	**0**	**55,687**	**58,941**	**55,687**	**58,941**	**8,264**	**6,443**

DOTTIKON ES Group, with its production site in Dottikon (Aargau, Switzerland), specializes on hazardous chemical reactions and focuses on the exclusive synthesis of fine chemicals for the pharmaceutical and chemical industry worldwide. The product range of DOTTIKON ES Group includes active pharmaceutical ingredients (APIs) and pharmaceutical intermediates as well as in-house-developed, high-value industrial chemicals.