2005/06 Annual Report

Your Specialist for Hazardous Reactions.

Strategic focus on hazardous reactions is starting to show impact

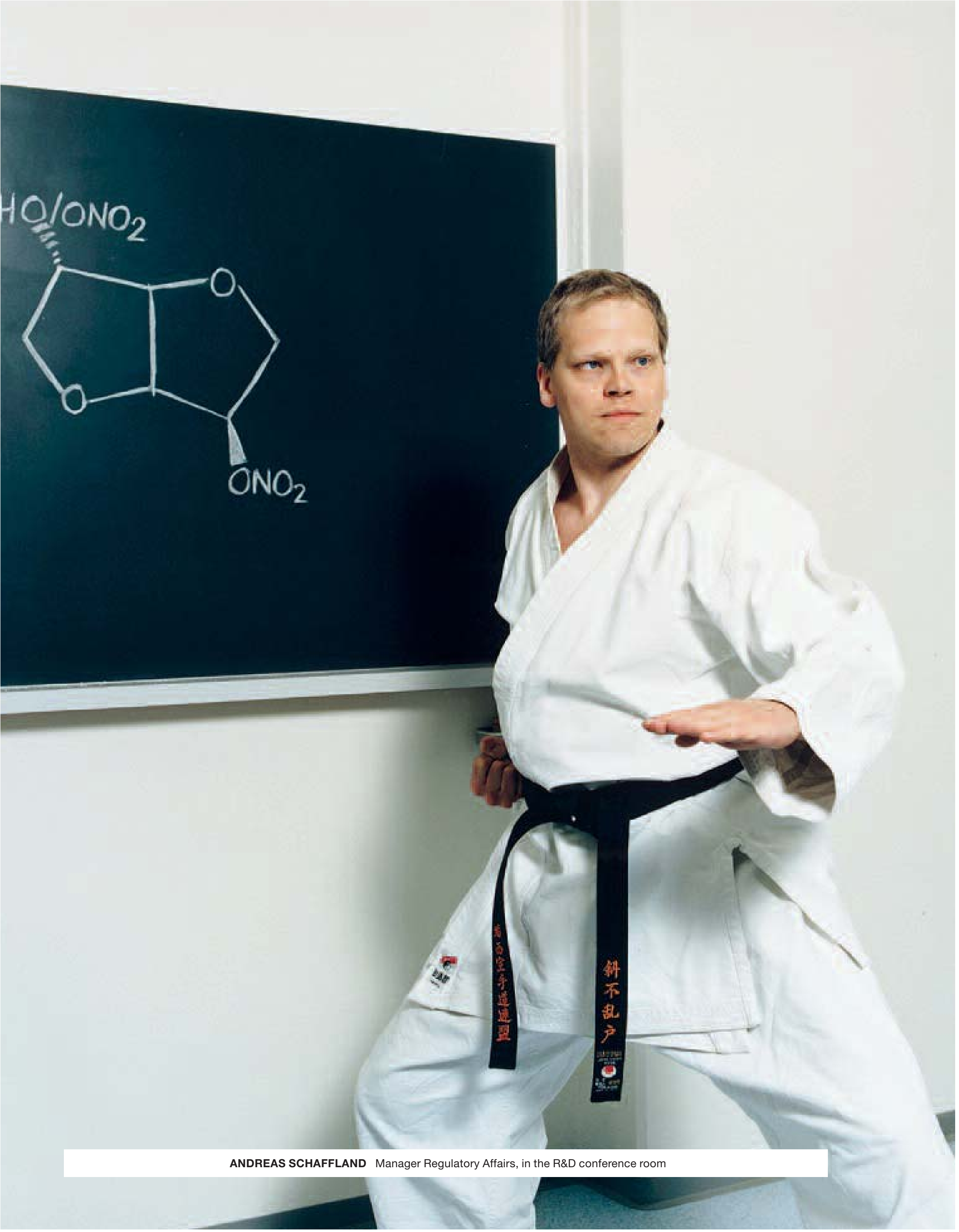
Since founding the company almost 100 years ago, at that time producing explosives, safety has always had highest priority. The experience over decades in consequently seeking and identifying risks and implementing appropriate economic measures to permanently reduce residual risks, has become an essential part of the company's daily lived and continuously enhanced culture.
This valuable property has led us, in the context of going public at the end of March 2005, to focus on the fine chemicals niche of using hazardous reactions to produce high-quality intermediates and active pharmaceutical ingredients.
Our culture allows the safe use of hazardous reactions in production processes to take shortcuts in chemical synthesis and therefore reduce costs, improve impurity profiles of products and to commercially access new bioactive chemical structures. With this, substantial contributions are made to increase productivity in the pharmaceutical and chemical industry. Additional value added for the clients are the fast project development and the seamless production from grams to multitons, pooled at one single production site, resulting in comprehensive and transparent communication.

Our experience with clients up to date shows that demand for performance leadership in hazardous reactions is existent and its added value useful. The strategy starts to be going strong.
Apart from a solid balance sheet, the company presents an increased net income and free cash flow in comparison to the previous years. This year's and future dividend policy intends to distribute excess liquidity in the amount not required for internal growth and related investments under consideration of the respective profitability.
Our gratitude is expressed to the employees for their great effort and high willingness to perform. These qualities enabled a successful start in our independence and provide a good basis for future value increase in favor of all shareholders and stakeholders.

Dottikon, May 15, 2006
For the Board of Directors

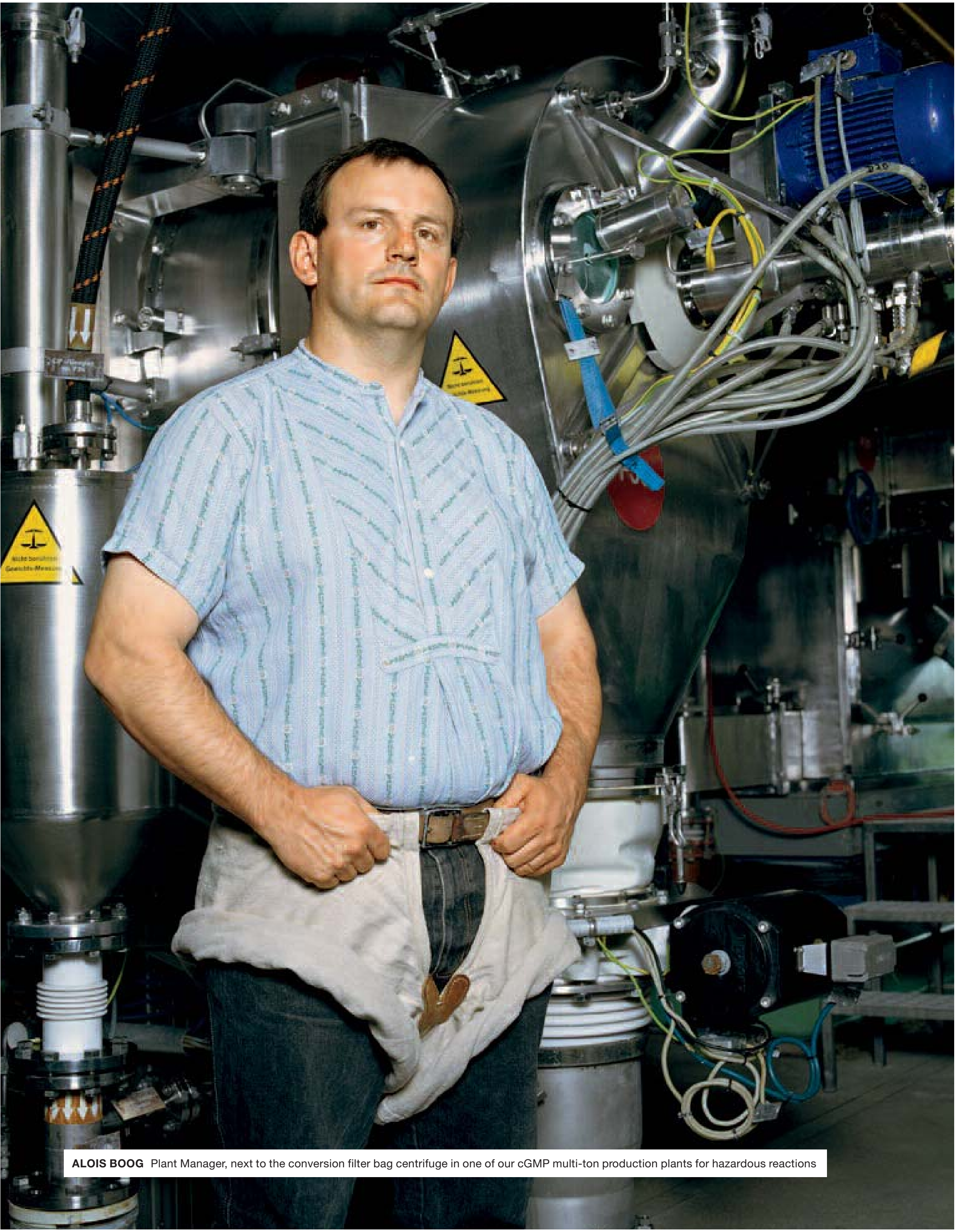
Heinz Boller
Chairman of the Board of Directors

SONJA STUTZ Advertising Assistant, in the Marketing and Sales conference room



ANDREAS SCHAFFLAND Manager Regulatory Affairs, in the R&D conference room

Content



ALOIS BOOG Plant Manager, next to the conversion filter bag centrifuge in one of our cGMP multi-ton production plants for hazardous reactions

Dear Shareholder,

This is the Annual Report of the DOTTIKON ES Group for the business year 2005/06. The report covers the period from April 1, 2005 to March 31, 2006.

Business year 2005/06

The market was mainly driven by two overlapping effects: the profound structural changes of the fine chemical and pharmaceutical industry and the ongoing economic upswing.

Structural changes of the fine chemical and pharmaceutical industry

Significant drivers of the structural changes in the field of fine chemicals were the tails of the prolonged consolidation wave and the global West-East conflict between technological innovation and low-cost production.

The wave of consolidation consisted of an effective removal of idle capacity and increasing M&A activity. The latter is mainly dominated by petroleum-related backward or pharma-related forward integrated companies.

A common reaction to the West-East conflict was the globalization along the product life cycle: Western companies strive for low-cost research and production capacities in Asia to cover the early and late stage of the product life cycle. Asian and especially Indian players acquire development and production sites in the West and through that technology and capacity to cover the two middle phases of the product life cycle with the aim to access respective markets.

KEY FIGURES, APRIL–MARCH

CHF million	2004/05[A]	2005/06	Change
Net sales	133.6	133.6	0.0%
EBITDA	24.5	29.8	21.6%
EBITDA margin (in % of net sales)	18.4%	22.3%	
EBIT	12.8	18.0	40.9%
EBIT margin (in % of net sales)	9.6%	13.5%	
Net income	10.8	13.6	26.7%
Net income margin (in % of net sales)	8.1%	10.2%	
Operating cash flow	20.8	33.8	62.4%

[A] Pro forma (unaudited)

The main drivers of the structural changes in the pharmaceutical industry were the cost pressure on health care systems initiated by the longevity paradox and the fragmentary pipelines of pharmaceutical companies as a result of the past strategies focusing on blockbusters.

Over the past 2,000 years, the average lifespan in industrialized countries has nearly quadrupled due to pharmaceutical improvements. Nevertheless, the maximal lifespan remained unchanged. This longevity paradox results in an increasing demand for treatments of rapidly emerging old-age diseases such as cancer and heart diseases and lead to cost explosions within health care systems. The more people receive successful treatments, the higher is the probability for new old-age diseases to arise. This has caused regulatory authorities to introduce new regulations and measures with the target to reduce health care costs. This cost pressure led to reviews and assessments of the cost efficiency within pharmaceutical companies' own production and finally to shutdowns or divestments of production sites or outsourcing instead of investment decisions.

The number of newly launched active pharmaceutical ingredients (API) has reduced to half the number it has been five years ago. Patents of established APIs are expiring and the market share of generic medicinal products is increasing. The pharmaceutical industry reacts with further increase of research and development expenses, in-licensing and acquisition of active compounds in development or companies with APIs in the late clinical phases II and III, as well as aggressive acquisition into the generic drug market.

Expansion of performance leadership as specialist for hazardous reactions

DOTTIKON ES started into its first business year 2005/06 after going public at the SWX. In the past business year, we have positioned ourselves as the performance leader and specialist for hazardous reactions. Hazardous reactions are chemical processes that include at least one of the four criteria: highly exothermic processes, thermal or mechanical instable compounds or mixtures, highly reactive compounds and high-potent compounds. As specialist for hazardous reactions we qualify ourselves by conducting this type of synthesis in a safe and environmental-friendly manner.

Performance leadership is continued with recruitment of self-disciplined employees, having high personal responsibility and initiative, and selection based on periodical performance assessments. The capability of our employees is permanently supported and enhanced with targeted training.

Expanding Research & Development by two additional technology laboratories allowed further market-oriented development of hazardous reactions. Syntheses using hazardous reactions have been developed to upscale capable processes. The product portfolio has successfully been expanded with high-purity primary and secondary amines, tetrazol and additional indol derivatives. Additional investments have been made in a further modular plant for continuous hazardous reactions, in quality improvements and debottlenecking of our multi-purpose production plants. Further we acquired a strategic share of SYSTAG, System Technik AG in Rüschlikon, the technological leader for thermal analysis instruments, such as reaction calorimeters to determine safety-critical data for hazardous chemical reactions and lab automatization systems for process development and scale-up.

The distinct positioning and focus on performance leadership in hazardous reactions allowed to make significant quantitative and qualitative progress. In particular in the pharmaceutical market where currently companies are trying to bridge their gaps in the product pipeline by enhanced dynamic and massive funds to shorten time-to-market periods. Our success rate in new project acquisitions increased by about half compared to the previous year. The share of projects with hazardous reactions has almost doubled, whereas half of the acquired projects are already in the clinical phases II and III or launched. We met the increasing market need for fast project development capability.

Compared to the previous business year, below the bottom line improvement of the product mix resulted in a higher net income having slightly lower net sales.

Outlook

For the business year 2006/07 we continue the strategy of positioning as specialist for hazardous reactions and our dedication to performance leadership. Contrary to the globalization trend along the product life cycle, we build on one production site. This is part of our differentiated performance leadership strategy, where the number of internal interfaces is reduced in order to shorten decision and communication pathways resulting in fast project development and comprehensive and transparent communication with our clients at the external interface. At this interface we want to add value over the entire product life cycle by using hazardous reactions. We want to utilize the environment of the safety culture formed over the last 100 years to use hazardous reactions in order to shorten common chemical syntheses routes, improve impurity profiles of products and make new potential bioactive chemical structures commercially available for future active pharmaceutical ingredients.

For the business year 2006/07, provided there aren't any unforeseen events, we expect a slight increase in net sales and a further improvement of our product mix.

Dottikon, May 15, 2006

M. Bl

Dr Markus Blocher
Chief Executive Officer

BENNO BECK Head of Purchasing and Member of the Senior Management Team, next to one of our plant units for continuous hazardous reactions

MARLENE BORN CFO, in front of the waste water retaining basin

Financial Report DOTTIKON ES Group

Consolidated Income Statements

April–March
CHF thousand and %

[A] Pro forma (unaudited)
[B] Previous year (pro forma) calculated with shares pro forma

	Notes	2004/05[A]	%	2005/06	%
Net sales	(2, 3)	**133,635**	**100.0**	**133,625**	**100.0**
Changes in semi-finished and finished goods		–9,130		–9,097	
Other operating income	(4)	2,575		3,033	
Material expenses		–41,575		–37,736	
Personnel expenses	(5, 14)	–42,569		–42,812	
Other operating expenses	(6)	–18,407		–17,192	
EBITDA		**24,529**	**18.4**	**29,821**	**22.3**
Depreciation and amortization	(2, 10, 11)	–11,747		–11,806	
EBIT	(2)	**12,782**	**9.6**	**18,015**	**13.5**
Financial income		2,478		1,986	
Financial expenses		–1,543		–1,865	
Financial result	(7)	**935**		**121**	
Result from associated companies	(12)	**0**		**54**	
Net income before taxes		**13,717**	**10.3**	**18,190**	**13.6**
Income taxes	(8)	–2,959		–4,557	
Net income		**10,758**	**8.1**	**13,633**	**10.2**
Basic earnings per share in CHF[B]	(9)	**8.45**		**11.05**	
Diluted earnings per share in CHF[B]	(9)	**8.45**		**11.05**	

Consolidated Balance Sheets

CHF thousand and %
[A] Unaudited

	Notes	31.03.2005[A]	%	31.03.2006	%
Intangible assets	(10)	627		484	
Property, plant and equipment	(11)	193,444		189,701	
Investments in associated companies	(12)	0		902	
Financial assets	(13, 14, 20)	23,371		21,412	
Non-current assets		**217,442**	**68.8**	**212,499**	**65.6**
Inventories	(15)	55,509		47,816	
Trade receivables	(16, 20)	27,725		26,045	
Other receivables	(17, 20)	3,352		5,823	
Cash and cash equivalents	(20)	12,090		31,548	
Current assets		**98,676**	**31.2**	**111,232**	**34.4**
Assets	(2, 3)	**316,118**	**100.0**	**323,731**	**100.0**
Share capital		6,363		6,363	
Share premium		60,000		60,030	
Own shares		–7,915		–7,723	
Retained earnings		185,344		198,875	
Shareholders' equity		**243,792**	**77.1**	**257,545**	**79.6**
Deferred tax liabilities	(18)	43,841		43,441	
Non-current liabilities		**43,841**	**13.9**	**43,441**	**13.4**
Trade payables	(20)	8,398		7,592	
Income tax liabilities		1,579		4,380	
Other current liabilities	(19, 20)	18,508		10,773	
Current liabilities		**28,485**	**9.0**	**22,745**	**7.0**
Liabilities	(2)	**72,326**	**22.9**	**66,186**	**20.4**
Shareholders' equity and liabilities		**316,118**	**100.0**	**323,731**	**100.0**

Consolidated Cash Flow Statements

April–March
CHF thousand

[A] Pro forma (unaudited)
[B] Cash and bank accounts:
CHF 31,548 thousand (previous year: CHF 12,090 thousand)

	Notes	2004/05[A]	2005/06
Net income before taxes		13,717	18,190
Financial result	(7)	–935	–121
Depreciation of property, plant and equipment	(2, 11)	11,026	11,515
Amortization of intangible assets	(2, 10)	721	291
Result from associated companies	(12)	0	–54
Other non-cash income and expenses	(21)	1,275	181
Interest received		296	199
Dividends received		6	6
Interest paid		–70	–44
Income taxes paid		–1,999	–2,135
Changes in			
Trade receivables		–14,780	1,729
Other receivables		–3,214	–1,163
Inventories		10,602	7,693
Trade payables		–1,276	–812
Other current liabilities		5,468	–1,635
Cash flow from operating activities		**20,837**	**33,840**
Additions to			
Intangible assets	(2, 10)	–240	–129
Property, plant and equipment	(2, 11)	–6,698	–8,105
Financial assets		0	0
Investments in associated companies	(12)	0	–848
Cash flow from acquisition of subsidiary	(1)	100	0
Disposals of			
Intangible assets		0	0
Property, plant and equipment	(11)	0	66
Financial assets	(13, 17)	206	587
Cash flow from investing activities		**–6,632**	**–8,429**
Dividends paid		0	0
Purchase of own shares		–7,915	–160
Disposal of own shares		0	390
Issue share capital DOTTIKON ES HOLDING AG	(1)	100	0
Issue share capital increase DOTTIKON ES HOLDING AG	(1)	6,263	0
Repayment loan	(1)	–3,000	–6,100
Cash flow from financing activities		**–4,552**	**–5,870**
Currency translation effect on cash and cash equivalents		117	–83
Net change in cash and cash equivalents prior to adjustments from historical to pro forma		**9,770**	**19,458**
Expenses in connection with the initial public offering		–1,525	0
Net change in cash and cash equivalents		**8,245**	**19,458**
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[B]	(20)	**12,090**	**31,548**

Consolidated Statement of Changes in Equity

CHF thousand

[A] Pro forma (unaudited)
[B] Net income and total recognized income and expense for the period 2004/05 is CHF 10,758 thousand
[C] Unaudited
[D] Refer to the notes to the financial statements of DOTTIKON ES HOLDING AG, page 50, regarding share capital and own shares

	Share capital[D]	Share premium	Own shares[D]	Changes in fair value of foreign exchange forwards (including tax impact)	Other retained earnings	Shareholders' equity
Balance 01.04.2004[A]						**240,949**
Changes in fair value of foreign exchange forwards[A]						0
Net income recognized directly in equity[A]						**0**
Net income[A, B]						6,788
Total recognized income and expense for the period[A, B]						**6,788**
Changes in own shares[A]						0
Balance 30.09.2004[A]						**247,737**
Balance 01.10.2004[A]	**6,363**	**60,000**	**0**	**0**	**181,374**	**247,737**
Changes in fair value of foreign exchange forwards[A]						0
Net income recognized directly in equity[A]						**0**
Net income[A, B]					3,970	3,970
Total recognized income and expense for the period[A, B]					**3,970**	**3,970**
Changes in own shares			–7,915			–7,915
Balance 31.03.2005[C]	**6,363**	**60,000**	**–7,915**	**0**	**185,344**	**243,792**
Balance 01.04.2005[C]	**6,363**	**60,000**	**–7,915**	**0**	**185,344**	**243,792**
Changes in fair value of foreign exchange forwards				–102		–102
Net income recognized directly in equity				**–102**		**–102**
Net income					13,633	13,633
Total recognized income and expense for the period				**–102**	**13,633**	**13,531**
Changes in own shares		30	192			222
Balance 31.03.2006	**6,363**	**60,030**	**–7,723**	**–102**	**198,977**	**257,545**

THOMAS MATHYS Foreman, in front of the cGMP spherical dryer (Kugel dryer) for APIs

Notes
DOTTIKON ES Group

Corporate Accounting Principles

ACCOUNTING POLICIES

General

The consolidated financial statements of DOTTIKON ES Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.
The consolidation is based on the audited individual financial statements of the subsidiaries prepared on the basis of uniform accounting policies. The reporting date is March 31.
Before the spin-off DOTTIKON EXCLUSIVE SYNTHESIS AG (former EMS-DOTTIKON AG) was a subsidiary of EMS-Chemie Holding AG (EMS).
Since March 31, 2005, DOTTIKON ES Group is a stand-alone group, independent from EMS. The comparative figures are pro forma figures and are not audited. These pro forma figures 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 business year changed from January 1 until December 31 to April 1 until March 31.
The consolidated financial statements are based on historical costs except for not consolidated investments and derivative financial instruments, which are measured at fair value, and pension plans, which are classified as defined benefit plans according to IFRS. The future pension obligation is calculated based on actuarial valuations in accordance with IFRS.
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.
Comparative figures taken from the consolidated financial statements of the previous year have been reclassified or extended, where required, to take into account changes in presentation.

Scope and principles of consolidation

The consolidated financial statements comprise DOTTIKON ES HOLDING AG and all entities in which the Holding directly or indirectly holds more than 50% of the voting rights. These entities are fully consolidated, incorporating 100% of assets, liabilities, income and expenses. Intercompany transactions (receivables and liabilities, income and expenses) are eliminated and any unrealized profits on intercompany transactions and balances are eliminated through profit or loss. Capital consolidation is accounted for using the purchase method.

CALCULATION SHAREHOLDERS' EQUITY FROM HISTORICAL TO PRO FORMA

CHF thousand (unaudited)		
	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**

Entities, in which DOTTIKON ES Group holds at least 20% of the voting rights, but less than 50%, are accounted for using the equity method and are classified as investments in associated companies. Under the equity method, DOTTIKON ES Group's share in the net result and in the equity of the associated companies is recognized in the consolidated financial statements. The investment in associated companies is presented in notes 12.

Net sales and revenue recognition

Invoices for supplied goods and services are accounted for as revenue upon transfer of significant risks and rewards, based on the agreed incoterms, to the customer. Net sales are presented net of value-added tax, trade discounts and cash discounts.

Foreign currency translation

The individual entities prepare their financial statements in local currency. Monetary assets and liabilities held in foreign currency are translated using the exchange rate at the balance sheet date. Foreign exchanges gains and losses resulting from transactions and from translation of balances in foreign currency are recognized in profit or loss. The Group's functional and presentation currency is Swiss francs. The individual financial statements of all Group companies are all prepared in Swiss francs.

CALCULATION OF NET INCOME FROM HISTORICAL TO PRO FORMA, APRIL 2004–MARCH 2005

CHF thousand (unaudited)		Historical	Adjustment	Pro forma
	Net sales	**133,635**		**133,635**
	Changes in semi-finished and finished goods	–9,130		–9,130
	Other operating income	2,575		2,575
	Material expenses[A]	–41,975	400	–41,575
	Personnel expenses[B]	–41,769	–800	–42,569
	Other operating expenses[C]	–18,367	–40	–18,407
	EBITDA	**24,969**	**–440**	**24,529**
	Depreciation and amortization[D]	–12,662	915	–11,747
	EBIT	**12,307**	**475**	**12,782**
	Financial income	2,478		2,478
	Financial expenses[E]	–4,068	2,525	–1,543
	Financial result	**–1,590**	**2,525**	**935**
	Net income before taxes	**10,717**	**3,000**	**13,717**
	Income taxes	–2,308	–651	–2,959
	Net income	**8,409**	**2,349**	**10,758**

ADJUSTMENTS FOR PRO FORMA FIGURES
[A] Lower energy costs (frame contract of EMS)
[B] Increase in personnel costs after the spin-off
[C] Increase in other operating expenses after the spin-off
[D] Implementation "Components Approach", IAS 16
[E] Change loan to shareholders' equity (interest expenses to EMS)

Terms
Assets that are expected to be realized or consumed in the ordinary course of business within one year or that are held for trade are classified as current assets. All other assets are classified as non-current assets.
Liabilities that are expected to be settled in the ordinary course of business using operating cash flows within one year from balance sheet date or that are due within the following 12 months from balance sheet date are classified as current liabilities. All other liabilities are classified as non-current liabilities.

Segment information
Segment information is presented in two different ways: primarily based on the two business segments Fine Chemicals and Recycling & Waste Treatment. The primary segmentation is prepared to the level of EBIT. Interests and taxes are not allocated to the segments due to the highly centralized functions of finance and taxes. All operating assets and liabilities that are either directly attributable to a segment or can be allocated to the segment on a reasonable basis are allocated to the respective segments.
The secondary segmentation is based on geographical segments, which are split into four categories.

Derivative financial instruments
The Group uses foreign exchange forwards to cover foreign currency risks. These derivative financial instruments are measured at fair value. If the underlying hedged item is an asset or a liability that is measured at fair value, the unrealized gains and losses are included in financial income or expense (fair value hedge according to IAS 39) together with the hedged change in fair value of the underlying asset or liability. Changes in fair value of derivatives to hedge cash flows are recognized in equity (cash flow hedge according to IAS 39). If an expected transaction or firm commitment results in the recognition of an asset or liability, the gains or losses previously recognized in equity are included in the initial measurement of the asset or liability.

Intangible assets
The position intangible assets includes software acquired from third parties. They are measured at cost less economically required amortization. Intangible assets are amortized on a straight-line basis over their expected economic useful lives, which is usually between 4 and 7 years.
Any impairment loss is recognized in profit or loss.

Property, plant and equipment
Property, plant and equipment is measured at cost less economically required depreciation. None of these items are financed with leasing agreements. The items of property, plant and equipment are depreciated on a straight-line basis over their expected economic useful lives, except for land, which is not depreciated, and items under construction, which are only depreciated from their commissioning date. The estimated useful lives for the main categories of depreciable property, plant and equipment are as follows:

Buildings	20 to 50 years
Technical plant and machinery	5 to 35 years
Other property, plant and equipment	3 to 15 years

All gains or losses arising from disposal of items of property, plant and equipment are recognized in profit or loss. Items of insignificant value are not recognized in the balance sheet and therefore directly charged to the income statement.

Financial assets
Financial assets mainly comprise the surplus of pension assets that is determined with actuarial valuations for defined benefit plans according to IFRS and any non-current loans. Loans are measured at amortized cost.

Recoverability of non-current assets/impairment
Whenever there is evidence that an asset may be impaired, an impairment assessment is carried out and the recoverable amount of the asset is calculated. When the carrying amount of the asset is higher than the recoverable amount, an impairment loss is recognized in the income statement.

Inventories
Inventories comprise raw materials, supplies, trading goods, semi-finished and finished goods. They are measured at the lower of cost of purchase or conversion and net realizable value using the weighted average method. Cost of conversion of inventories includes direct material and production costs and a part of the attributable overhead costs. Slow-moving items are partly or fully adjusted in value.

Trade receivables
Trade receivables are measured at amortized cost, which generally equals the nominal value, less allowance made for identifiable solvency risks based on the maturity structure.

Other receivables
Other receivables are measured at amortized cost, which generally equals the nominal value. Other receivables comprise other receivables from third parties, current loans with a maturity of less than 12 months, prepayments of expenses and income that can only be realized in the following year.

Cash and cash equivalents
Cash and cash equivalents are measured at nominal values. They comprise cash on hand and bank accounts with an original maturity of up to 90 days.

Non-current liabilities
Non-current liabilities comprise all identified liabilities at the balance sheet date that can be measured reliably and that have a maturity of more than one year after balance sheet date.

Current liabilities
Current liabilities include all liabilities that are due within 12 months.

Research and development
Research costs are charged to the income statement in the period they occur. Development costs are only capitalized when certain criteria are met and the capitalized amount is covered by future economic benefits.

Income taxes

All tax liabilities are recognized in the balance sheet, irrespective of their maturities. Current income tax is calculated based on taxable profit. Deferred tax is calculated according to the balance-sheet-liability method based on all temporary differences between the tax bases and the amounts recognized in the consolidated financial statements. Deferred tax assets are only recognized to the extent that they can be realized. Deferred taxes are determined based on local tax rates. Tax assets and liabilities are offset when they relate to the same taxable entity and the same tax authority.

Employee benefits

DOTTIKON ES Group has an own, legally independent pension plan that is managed independently. It is financed through employees' and employer's contributions. Present and former employees or rather their surviving dependants receive benefits upon reaching the age limit and/or in the event of invalidity or death, depending on the plan of the respective entity. For the purposes of the consolidated financial statements, future pension obligations are calculated based on actuarial methods in accordance with IFRS.

The pension plans of DOTTIKON ES Group are classified as defined benefit plans in accordance with IFRS. The defined benefit obligation is calculated using the projected unit credit method, which is based on past service as well as expected remaining length of service of employees in company, projected rates of remuneration growth and pension adjustments.

The current service cost, which is calculated annually, is recognized in the income statement. Any changes to the plan and corrections due to changes in actuarial assumptions are charged to the income statement, allocated over the estimated average remaining length of service of employees in company.

Own shares, share-based payments and earnings per share

Own shares are recorded at cost as a deduction from equity. Any profit or loss from disposal of own shares is recorded in share premium.

Share-based payments to employees, which DOTTIKON ES Group considers being performance drivers, are measured at fair value determined at grant date and charged to personnel expenses.

Earnings per share is calculated based on net income of the Group that is attributable to shareholders of DOTTIKON ES HOLDING AG divided by the weighted average number of shares outstanding during the reporting period. Diluted earnings per share additionally consider any potential ordinary shares.

CHANGES IN CORPORATE ACCOUNTING PRINCIPLES

In 2003, the International Accounting Standards Board (IASB) published a revised version of IAS 32 "Financial Instruments: Disclosure and Presentation", a revised version of IAS 39 "Financial Instruments: Recognition and Measurement" as well as a general revision of the International Accounting Standards that resulted in changes to 15 existing standards. In 2004, the IASB published IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations", IFRS 4 "Insurance Contracts", IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", revised versions of IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" and further amendments to IAS 39. The Group adopted these standards effective April 1, 2005.

The new and revised standards do not have a significant impact on equity, result and cash flows of the Group.

MANAGEMENT ASSUMPTIONS AND ESTIMATES

Significant accounting policies

The preparation of financial statements requires management to make estimates and assumptions that affect the Group's consolidated financial statements mainly in the areas described below, should the actual results differ from these estimates and assumptions.

Impairment of non-current assets

Whenever there is evidence that an item of property, plant and equipment or an intangible asset may be impaired, an impairment assessment is carried out. In such a situation the amount is determined that seems to be recoverable due to expected future income. This recoverable amount is either the net present value of expected future net cash flows or the expected net fair value less costs to sell. As far as these values are lower than the actual carrying amount, an impairment loss is recognized to the recoverable amount. The impairment loss is recognized as an expense in the income statement. Important assumptions to these calculations are growth rates, margins and discount rates. Actual cash flows can vary significantly from such estimates of discounted future cash flows. Furthermore, the useful lives can be decreased or impairment can occur on buildings, technical plant and machinery and other property plant and equipment due to a change in utilization or when lower revenue is realized than expected on a medium-term. The carrying amounts of the respective items of property, plant and equipment and intangible assets are presented in notes 10 and 11.

Employee benefits

The pension plans of DOTTIKON ES Group are classified as defined benefit plans in accordance with IFRS. For the purposes of the consolidated financial statements, future pension obligations are calculated based on actuarial methods in accordance with IFRS. Statistical assumptions are made to estimate future developments. These include the assumptions and estimates regarding the discount rate, the expected long-term return on plan assets and the estimates of remuneration growth. The actuarial calculations for determining the defined benefit obligation are also based on statistical information such as life expectancy and future withdrawals of participants from the plan. Whenever these parameters used change due to changes in market and economic conditions, the actual results can differ significantly from the actuarial calculation and valuation. These differences can impact the expenses and income from pension plans significantly on a medium-term. The carrying amount of the recognized plan assets is presented in notes 14.

ISSUED, NOT YET EFFECTIVE STANDARDS
The following new and revised standards and interpretations have been issued until the date the Board of Directors has approved these consolidated financial statements, but are not yet effective and are not applied early in these consolidated financial statements. Their impact on the consolidated financial statements of DOTTIKON ES Group has not yet been systematically analyzed. The expected effects as disclosed below the table reflect a first assessment by management of the Group.

Standard/interpretation		Effective date	Planned application by DOTTIKON ES Group
Amendment to IAS 19 – Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures	B	January 1, 2006	Business year 2006/07
Amendments to IAS 39 – Financial Instruments: Recognition and Measurement:			
■ Cash Flow Hedge Accounting of Forecast Intragroup Transactions	A	January 1, 2006	Business year 2006/07
■ The Fair Value Option	A	January 1, 2006	Business year 2006/07
■ Financial Guarantee Contracts (also applies to IFRS 4)	A	January 1, 2006	Business year 2006/07
Amendment to IAS 21 – The Effects of Changes in Foreign Exchange Rates	A	January 1, 2006	Business year 2006/07
IFRS 6 – Exploration for and Evaluation of Mineral Resources	A	January 1, 2006	Business year 2006/07
IFRIC 4 – Determining whether an Arrangement Contains a Lease	A	January 1, 2006	Business year 2006/07
IFRIC 5 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	A	January 1, 2006	Business year 2006/07
IFRIC 6 – Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	A	December 1, 2005	Business year 2006/07
IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	A	March 1, 2006	Business year 2006/07
IFRIC 8 – Scope of IFRS 2	A	May 1, 2006	Business year 2007/08
IFRIC 9 – Reassessment of Embedded Derivatives	A	June 1, 2006	Business year 2007/08
IFRS 7 – Financial Instruments: Disclosures	B	January 1, 2007	Business year 2007/08
Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures	B	January 1, 2007	Business year 2007/08

[A] No significant impacts are expected in the consolidated financial statements of DOTTIKON ES Group
[B] Mainly additional disclosures are expected in the consolidated financial statements of DOTTIKON ES Group

Notes to the Consolidated Financial Statements

1 GROUP RESTRUCTURING
Before the spin-off on March 31, 2005, DOTTIKON EXCLUSIVE SYNTHESIS AG was a subsidiary of EMS. In February 2005 DOTTIKON ES HOLDING AG and DOTTIKON ES MANAGEMENT AG were founded, both with a share capital of CHF 100 thousand. Since then, DOTTIKON ES HOLDING AG holds 100 % of DOTTIKON EXCLUSIVE SYNTHESIS AG and DOTTIKON ES MANAGEMENT AG. In March 2005, DOTTIKON ES HOLDING AG increased its share capital by CHF 6,263 thousand to CHF 6,363 thousand. The formation and the capital increase of DOTTIKON ES HOLDING AG were made by cash payment. The investments in DOTTIKON EXCLUSIVE SYNTHESIS AG and DOTTIKON ES MANAGEMENT AG were taken over in the reporting year 2004/2005 with a short-term loan of CHF 6,100 thousand, which was fully repaid in the reporting year 2005/2006.
DOTTIKON EXCLUSIVE SYNTHESIS AG was already part of the group structure of today's DOTTIKON ES Group. Therefore, there was no cash increase within the Group. The takeover of the investment in DOTTIKON ES MANAGEMENT AG increased the cash balance by CHF 100 thousand. In the cash flow statement this increase is included in the cash flow from investing activities.

2 PRIMARY SEGMENT REPORTING
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

		Net sales with other segments		Net sales with third parties		Net sales total		EBIT	
CHF thousand/ April–March		2004/05[A]	2005/06	2004/05[A]	2005/06	2004/05[A]	2005/06	2004/05[A]	2005/06
	Fine Chemicals	**0**	**0**	**128,912**	**128,653**	**128,912**	**128,653**	**11,034**	**16,117**
	Recycling & Waste Treatment	**12,475**	**12,598**	**4,723**	**4,972**	**17,198**	**17,570**	**1,748**	**1,898**
	Subtotal segments	12,475	12,598	133,635	133,625	146,110	146,223	12,782	18,015
	./. Internal net sales	–12,475	–12,598			–12,475	–12,598		
	Total	**0**	**0**	**133,635**	**133,625**	**133,635**	**133,625**	**12,782**	**18,015**

[A] Pro forma (unaudited)

		Assets[C, D]		Liabilities[C, D]		Capital expenditure[E, F]		Depreciation/ amortization[F]	
CHF thousand		2004/05[B]	2005/06	2004/05[B]	2005/06	2004/05[B]	2005/06	2004/05[A]	2005/06
	Fine Chemicals	**248,858**	**239,555**	**14,407**	**17,682**	**6,727**	**8,113**	**9,879**	**9,936**
	Recycling & Waste Treatment	**31,799**	**30,314**	**528**	**683**	**211**	**121**	**1,868**	**1,870**
	Subtotal segments	280,657	269,869	14,935	18,365	6,938	8,234	11,747	11,806
	Not allocated	35,461	53,862	57,391	47,821				
	Total	**316,118**	**323,731**	**72,326**	**66,186**	**6,938**	**8,234**	**11,747**	**11,806**

[A] Pro forma (unaudited)
[B] Unaudited
[C] Segment assets and liabilities excluding financial and income tax positions
[D] Per 31.03.
[E] Capital expenditure reflects cost of acquired property, plant and equipment and intangible assets
[F] During the period April to March

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-quality 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.

3 SECONDARY SEGMENT REPORTING

	Net sales with third parties[B]	
CHF thousand/April–March	2004/05[A]	2005/06
Europe and others	72,088	73,272
Switzerland	34,873	36,466
America	19,369	18,371
Asia	7,305	5,516
Total	**133,635**	**133,625**

[A] Pro forma (unaudited)
[B] Production site in Switzerland

	Assets[B, C]		Capital expenditure[B, D]	
CHF thousand	2004/05[A]	2005/06	2004/05[A]	2005/06
Europe and others	0	0	0	0
Switzerland	316,118	323,731	6,938	8,234
America	0	0	0	0
Asia	0	0	0	0
Total	**316,118**	**323,731**	**6,938**	**8,234**

[A] Unaudited
[B] Production site in Switzerland
[C] Per 31.03.
[D] During the period April to March

4 OTHER OPERATING INCOME

CHF thousand/April–March	2004/05[A]	2005/06
Capitalized own production	1,581	1,887
Various other operating income	994	1,146
Other operating income	**2,575**	**3,033**

[A] Pro forma (unaudited)

5 PERSONNEL EXPENSES

CHF thousand/April–March	2004/05[A]	2005/06
Wages and salaries	35,025	36,334
Pension costs	3,559	2,613
Social security	3,541	3,401
Other personnel expenses	444	464
Personnel expenses	**42,569**	**42,812**

[A] Pro forma (unaudited)

Employees, which DOTTIKON ES Group considers being performance drivers, have the opportunity to acquire gratuitously registered shares of DOTTIKON ES HOLDING AG. In the reporting year 1,470 such shares (previous year: 1,092 shares) were issued and are recognized within personnel expenses at their fair value of CHF 345 thousand (previous year: CHF 240 thousand).

6 OTHER OPERATING EXPENSES

CHF thousand/April–March	2004/05[A]	2005/06
Rent	170	166
Repair and maintenance	6,323	7,210
Insurance, duties and fees	1,850	1,466
Administration and promotion	2,519	1,957
Loss on disposal of non-current assets	214	250
Various other operating expenses	7,331	6,143
Other operating expenses	**18,407**	**17,192**

[A] Pro forma (unaudited)

7 FINANCIAL RESULT

Financial income includes the following:

CHF thousand/April–March	2004/05[A]	2005/06
Interest income	296	199
Income from foreign currency valuation	138	262
Foreign currency gain on trade receivables	1,854	1,415
Foreign currency gain on trade payables	184	104
Gain on securities	6	6
Financial income	**2,478**	**1,986**

[A] Pro forma (unaudited)

Financial expenses include the following:

CHF thousand/April–March	2004/05[A]	2005/06
Bank charges, interest expenses	70	44
Expenses from foreign currency valuation	232	292
Foreign currency loss on trade receivables	1,079	1,330
Foreign currency loss on trade payables	162	199
Financial expenses	**1,543**	**1,865**

[A] Pro forma (unaudited)

8 INCOME TAXES

Income taxes can be analyzed as follows:

CHF thousand/April–March	2004/05[A]	2005/06
Net income before taxes	13,717	18,190
Expected income tax at tax rate of 19.4% (previous year: 21.7%)[B]	2,977	3,529
Debit/credit adjustments recognized for previous period, net	–8	–3
Effect of deferred tax rate adjustment	0	1,036
Other effects	–10	–5
Recognized income tax expenses	**2,959**	**4,557**

[A] Pro forma (unaudited)
[B] Effect of Group restructuring

CHF thousand/April–March	2004/05[A]	2005/06
Attributable to the following positions:		
Current tax	4,285	4,957
Deferred tax	–1,326	–400
Recognized income tax expenses	**2,959**	**4,557**

[A] Pro forma (unaudited)

In the reporting year CHF 22 thousand (previous year: CHF 0 thousand) current income tax and CHF 0 thousand (previous year: CHF 0 thousand) deferred income tax have been recognized in equity relating to items booked directly into equity.

9 EARNINGS PER SHARE

Earnings per share amounts to CHF 11.05 (previous year: CHF 8.45) and is calculated from the Group's net income and the weighted average number of shares outstanding (shares issued less own shares). In the reporting year 2005/2006 the amount of these shares was 1,233,511 (previous year: 1,272,534). Diluted earnings per share also amounted to CHF 11.05 (previous year: CHF 8.45), as there are no potential ordinary shares that have a dilutive effect.

10 DEVELOPMENT OF INTANGIBLE ASSETS

CHF thousand		Software	Patents, licenses	Total
	Cost			
	Balance 01.04.2004[A]	**5,111**	**53**	**5,164**
	Additions[B]	240	0	240
	Disposals[A]	−2,126	−53	−2,179
	Reclassifications	0	0	0
	Balance 31.03.2005[B]	**3,225**	**0**	**3,225**
	Balance 01.04.2005[B]	**3,225**	**0**	**3,225**
	Additions	129	0	129
	Disposals	0	0	0
	Reclassifications	19	0	19
	Balance 31.03.2006	**3,373**	**0**	**3,373**
	Amortization, accumulated			
	Balance 01.04.2004[A]	**−4,001**	**−53**	**−4,054**
	Additions[A]	−721	0	−721
	Disposals[A]	2,124	53	2,177
	Reclassifications	0	0	0
	Balance 31.03.2005[B]	**−2,598**	**0**	**−2,598**
	Balance 01.04.2005[B]	**−2,598**	**0**	**−2,598**
	Additions	−291	0	−291
	Disposals	0	0	0
	Reclassifications	0	0	0
	Balance 31.03.2006	**−2,889**	**0**	**−2,889**
	Carrying amounts			
	31.03.2005[B]	**627**	**0**	**627**
	31.03.2006	**484**	**0**	**484**

[A] Pro forma (unaudited)
[B] Unaudited

No development costs were capitalized in the reporting and the previous period. The research and development expenses of CHF 6,068 thousand (previous year: CHF 5,774 thousand) were charged to the income statement. There was no impairment on intangible assets in the reporting and the previous period.

11 DEVELOPMENT OF PROPERTY, PLANT & EQUIPMENT

CHF thousand		Land	Buildings	Technical plant and machinery	Other property, plant and equipment	Plant under construction	Total
	Cost						
	Balance 01.04.2004[A]	**8,883**	**113,409**	**251,495**	**14,516**	**2,770**	**391,073**
	Additions[B]	0	2	1,144	16	5,536	6,698
	Disposals[A]	0	−556	−18,875	−2,421	0	−21,852
	Reclassifications[B]	0	123	3,236	7	−3,366	0
	Balance 31.03.2005[B]	**8,883**	**112,978**	**237,000**	**12,118**	**4,940**	**375,919**
	Balance 01.04.2005[B]	**8,883**	**112,978**	**237,000**	**12,118**	**4,940**	**375,919**
	Additions	0	44	1,492	169	6,400	8,105
	Disposals	0	−215	−1,056	−700	0	−1,971
	Reclassifications	0	639	1,638	947	−3,243	−19
	Balance 31.03.2006	**8,883**	**113,446**	**239,074**	**12,534**	**8,097**	**382,034**
	Depreciation, accumulated						
	Balance 01.04.2004[A]	**0**	**−45,910**	**−135,771**	**−11,408**	**0**	**−193,089**
	Additions[A]	0	−2,214	−8,210	−602	0	−11,026
	Disposals[A]	0	556	18,663	2,421	0	21,640
	Reclassifications	0	0	0	0	0	0
	Balance 31.03.2005[B]	**0**	**−47,568**	**−125,318**	**−9,589**	**0**	**−182,475**
	Balance 01.04.2005[B]	**0**	**−47,568**	**−125,318**	**−9,589**	**0**	**−182,475**
	Additions	0	−2,265	−8,598	−652	0	−11,515
	Disposals	0	179	931	547	0	1,657
	Reclassifications	0	0	0	0	0	0
	Balance 31.03.2006	**0**	**−49,654**	**−132,985**	**−9,694**	**0**	**−192,333**
	Carrying amounts						
	31.03.2005[B]	**8,883**	**65,410**	**111,682**	**2,529**	**4,940**	**193,444**
	31.03.2006	**8,883**	**63,792**	**106,089**	**2,840**	**8,097**	**189,701**

[A] Pro forma (unaudited)
[B] Unaudited

The insurance value of property, plant and equipment amounts to CHF 476,377 thousand (previous year: CHF 447,933 thousand). There was no impairment on property, plant and equipment in the reporting and the previous period.

12 INVESTMENTS IN ASSOCIATED COMPANIES

On December 7, 2005, DOTTIKON ES HOLDING AG acquired an interest of 33.9% in SYSTAG, System Technik AG in Rüschlikon.

SYSTAG, System Technik AG is the technological leader in integrated solutions for automated chemical process development.

SYSTAG, System Technik AG has the same reporting date as DOTTIKON ES Group, which is March 31.

The investment has been accounted for using the equity method. The local accounting principles are adjusted to IFRS. The share of profit since acquisition date is CHF 54 thousand.

Associated companies:

CHF thousand/31.03.	2005/06
Balance sheet^A	
Assets	3,963
Liabilities	1,350
Shareholders' equity	**2,613**

^A Amounts at 100%

CHF thousand/April–March	2005/06
Income statement^A	
Income	4,560
Expenses	–4,545
Result	**15**

^A Amounts at 100%

13 FINANCIAL ASSETS

CHF thousand/31.03.	2004/05^A	2005/06
Surplus of pension assets	21,476	21,412
Loans to employees	1,895	–
Financial assets	**23,371**	**21,412**

^A Unaudited

Financial assets include a surplus of pension assets in the amount of CHF 21,412 thousand (previous year: CHF 21,476 thousand). The details regarding the pension plan are presented in notes 14, employee benefits. In the previous year, the other long-term financial assets included loans to employees in the amount of CHF 1,895 thousand. Repayment of these loans will occur in the following 12 months. Therefore, the loans in the reporting period 2005/06 were reclassified from financial assets to other receivables (see notes 17). The disposals of financial assets in the cash flow statement relate to annual repayments of loans from employees.

14 EMPLOYEE BENEFITS

DOTTIKON ES Group has an own, legally independent pension plan that is managed independently and in accordance with country-specific requirements. The assets are held outside of the entities in independent foundations. The plans are financed through employees' and employer's contributions. The future obligations and the respective assets of the plans that are classified as defined benefit plans according to IFRS are reviewed regularly from an actuarial point of view. The last review was as per March 31, 2006. The pension situation of the Group is as follows.

Independent defined benefit plan:

CHF thousand/31.03.	2004/05^A	2005/06
Present value of all benefit entitlements of former and current employees	–120,227	–142,047
Fair value of plan assets	142,100	169,263
Unrecognizable amount of plan assets	–24,106	–18,518
Unrecognized actuarial losses	23,709	12,714
Net recognized assets for individual defined benefit plans due to former and current employees	**21,476**	**21,412**

^A Unaudited

The balance sheet shows the following:

CHF thousand/31.03.	2004/05^A	2005/06
Surplus recognized as pension assets (notes 13)	**21,476**	**21,412**

^A Unaudited

The income statement shows the following:

CHF thousand/April–March	2004/05^A	2005/06
Current service cost	5,694	5,010
Interest cost	3,675	3,510
Expected return on plan assets	–7,405	–7,312
Increases and curtailment due to plan adjustments	2,455	–1,216
Actuarial gains/losses	3,904	10,130
Past service cost	–583	–5,557
Adjustments for article 58	–2,251	–31
Employees' contribution	–1,930	–1,921
Pension costs	**3,559**	**2,613**

^A Pro forma (unaudited)

The change in the balance sheet is as follows:

CHF thousand/April–March	2004/05^A	2005/06
Pension costs	3,559	2,613
Employer's contribution	–2,498	–2,549
Deficit (+)/excess (–) of effective employer's contribution, net	**1,061**	**64**

^A Pro forma (unaudited)

In the reporting year invalidity and mortality risks are measured using the funding principle. In the previous year these were determined using the pension value principle.

The net income resulting from investing amounts to 12.7% for the calendar year 2005 (calendar year 2004: 3.2%).

The calculation of the defined benefit pension obligation is based on the following average assumptions:

	2004/05	2005/06
Expected future service life of employees	13 years	13 years
Discount rate	3.75%	3.00%
Expected long-term return on capital	5.00%	5.00%
Rates of remuneration growth	2.75%	2.00%
Adjustment of pension benefits	1.50%	1.50%

15 INVENTORIES

CHF thousand/31.03.	2004/05[A]	2005/06
Raw materials	4,496	5,597
Supplies	2,897	3,231
Trading goods	246	215
Semi-finished goods	15,857	18,324
Finished goods	32,013	20,449
Inventories	**55,509**	**47,816**

[A] Unaudited

Allowances deducted from inventory balances amount to CHF 625 thousand (previous year: CHF 1,552 thousand).

16 TRADE RECEIVABLES

CHF thousand/31.03.	2004/05[A]	2005/06
Trade receivables, gross	28,337	26,082
Value adjustments, gross	–612	–37
Trade receivables, net	**27,725**	**26,045**

[A] Unaudited

From the reporting year, allowances are based on the maturity structure and on identifiable solvency risks. The credit risk on trade receivables is low because the Group's client base consists of many clients that operate in different business areas and geographical regions. There are no risk concentrations.

17 OTHER RECEIVABLES

CHF thousand/31.03.	2004/05[A]	2005/06
Other receivables	2,934	3,218
Prepaid expenses and accrued income	418	1,297
Loans to employees[B]	–	1,308
Other receivables	**3,352**	**5,823**

[A] Unaudited
[B] Repayment of these loans will occur in the following 12 months. Therefore, the loans were reclassified from financial assets to other receivables (see notes 13)

18 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following items:

CHF thousand/31.03.	2004/05[A]	2005/06
Property, plant and equipment	30,254	30,268
Inventories	4,818	4,252
Provisions	3,538	3,624
Surplus of pension assets	4,660	4,760
Other balance sheet positions	571	537
Deferred tax liabilities	**43,841**	**43,441**

[A] Unaudited

19 OTHER LIABILITIES

CHF thousand/31.03.	2004/05[A]	2005/06
Other current liabilities	11,844	697
Current liabilities due to pension plan	361	482
Prepayments from clients	91	2,639
Accrued expenses and deferred income	6,212	6,955
Other liabilities	**18,508**	**10,773**

[A] Unaudited

The strong decrease in other current liabilities mainly results from the repayment of a short-term loan to EMS in the amount of CHF 6,100 thousand in connection with the spin-off and further spin-off costs that were paid in the reporting period.

20 FINANCIAL INSTRUMENTS

The different risk positions that result from existing assets and liabilities as well as from future arising engagements are recorded and managed centrally at Group level. Cash and cash equivalents are current account balances with special interest. The Group only has relationships with first-class financial institutes. The derivative financial instruments are mainly used to cover foreign currency risks for future revenue, for which firm commitments are in place.

The table of "Total foreign exchange forwards (sales)" below presents the total of all hedges per balance sheet date and includes fair value hedges and cash flow hedges. The difference between the amounts in the table "Total foreign exchange forwards (sales)" and in the table "Total foreign exchange forwards to hedge cash flows" represents the total of the fair value hedges per balance sheet date.

Total foreign exchange forwards (sales):

CHF thousand/31.03.	2004/05[A]	2005/06
Fair value	24,938	24,654
Negative replacement value[B]	–186	–212
Contract value	**24,752**	**24,442**

[A] Unaudited
[B] Is equal to the recognized fair value (within the balance sheet position other current liabilities)

Total foreign exchange forwards in currencies:

CHF thousand/31.03.	2004/05[A]	2005/06
USD	8,701	18,591
EUR	16,051	5,851
Total	**24,752**	**24,442**

[A] Unaudited

Total foreign exchange forwards to hedge cash flows:

CHF thousand/31.03.	2004/05[A]	2005/06
Fair value	0	13,364
Negative replacement value[B]	0	–132
Contract value	**0**	**13,232**

[A] Unaudited
[B] Is equal to the recognized fair value (within the balance sheet position other current liabilities)

Interest rate risks: Cash and cash equivalents of the Group are invested on a short-term basis. Interest rate risks are not hedged.

Credit risks: The Group limits its credit risk by only entering into contracts with parties that have a sufficient credit rating. The credit risk on trade receivables is low because the Group's client base consists of many clients that operate in different business areas and geographical regions. There are no risk concentrations.

Cash flow hedge: Changes in fair value of derivatives to hedge cash flows are recognized in equity. If an expected transaction or firm commitment results in the recognition of an asset or a liability, the gains or losses previously recognized in equity are included in the initial measurement of the asset or liability.

OVERVIEW OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO CURRENCIES

CHF thousand/31.03.2005^	EUR	CHF	USD	CHF	CHF	Total CHF
Financial assets					23,371	23,371
Trade receivables	5,736	8,894	3,733	4,461	14,370	27,725
Other receivables					3,352	3,352
Cash and cash equivalents	15	23	93	111	11,956	12,090
Trade payables	1,715	2,659	351	419	5,320	8,398
Other current liabilities					18,508	18,508

^ Unaudited

CHF thousand/31.03.2006	EUR	CHF	USD	CHF	CHF	Total CHF
Financial assets					21,412	21,412
Trade receivables	2,465	3,897	5,727	7,474	14,674	26,045
Other receivables	4	7	3	4	5,812	5,823
Cash and cash equivalents	519	821	272	355	30,372	31,548
Trade payables	1,787	2,825	32	41	4,726	7,592
Other current liabilities	973	1,537			9,236	10,773

21 OTHER NON-CASH TRANSACTIONS

Non-cash transactions with impact on the income statement (excluding depreciation and amortization) are corrected in the cash flow statement that is prepared using the indirect method. The amount of CHF 1,275 thousand in the previous year mainly results from the too low effective employer's contributions to the pension plan in the amount of CHF 1,061 thousand (pension cost less paid employer's contribution, see notes 14).

22 RELATED PARTY TRANSACTIONS

Members of the Senior Management, Board of Directors and important shareholders as well as entities controlled by these are considered related parties.

A basis compensation of CHF 87 thousand was paid to the members of the Board of Directors (previous year: CHF 0 thousand as the holding was only founded on February 16, 2005). The members of the Board of Directors did not receive any shares.

In the reporting year the members of the Senior Management received 879 registered shares of DOTTIKON ES HOLDING AG that had a fair value of CHF 207 thousand (previous year: 817 registered shares of DOTTIKON ES HOLDING AG, fair value of CHF 180 thousand). Additionally, the members of the Senior Management received a cash compensation of CHF 1'348

thousand (previous year: CHF 1,253 thousand). The total compensation of the Senior Management is included in personnel expenses (see notes 5).

Included in other receivables in notes 17 (previous year: financial assets in notes 13) are loans to employees. The same conditions apply to all employees. The amount outstanding to two members of the Senior Management as per March 31, 2006, was CHF 144 thousand (previous year: CHF 158 thousand). The loans had interest rates of 2.25% from April 1, 2005 to September 30, 2005, and 2.00% from October 1, 2005 to March 31, 2006 (previous year: 2.25%). Repayment of the loans is within the following 12 months.

For transactions with pension plans refer to notes 14.

The overview of significant shareholders is presented on page 51, notes 4.

Apart from those above, there weren't any further receivables or liabilities or transactions with related parties in the reporting and the previous period.

23 CONTINGENT LIABILITIES

As per March 31, 2006, guarantees of DOTTIKON ES HOLDING AG to third parties in the amount of CHF 11,000 thousand existed (previous year: none) for a possible bank loan to DOTTIKON EXCLUSIVE SYNTHESIS AG. No other guarantees or collaterals existed as per March 31, 2006 and March 31, 2005.

24 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for issue by the Board of Directors on May 15, 2006. They are subject to approval by the Annual General Meeting. No events have occurred between March 31, 2006 and May 15, 2006, that would require an adjustment of the Group's assets and liabilities. On May 11, 2006, Marlene Born was appointed new CFO. No further events have occurred that need to be disclosed.

Report of the Group Auditors to the General Meeting of DOTTIKON ES HOLDING AG, Dottikon

KPMG

As group auditors, we have audited the consolidated financial statements presented on pages 15 to 39 (income statement, balance sheet, cash flow statement, statement of changes in equity and notes) of DOTTIKON ES HOLDING AG for the year ended March 31, 2006. The comparative figures (pro forma prior year figures) in the consolidated financial statements are unaudited.

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 Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of 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 Financial Reporting Standards (IFRS) and comply with Swiss law.

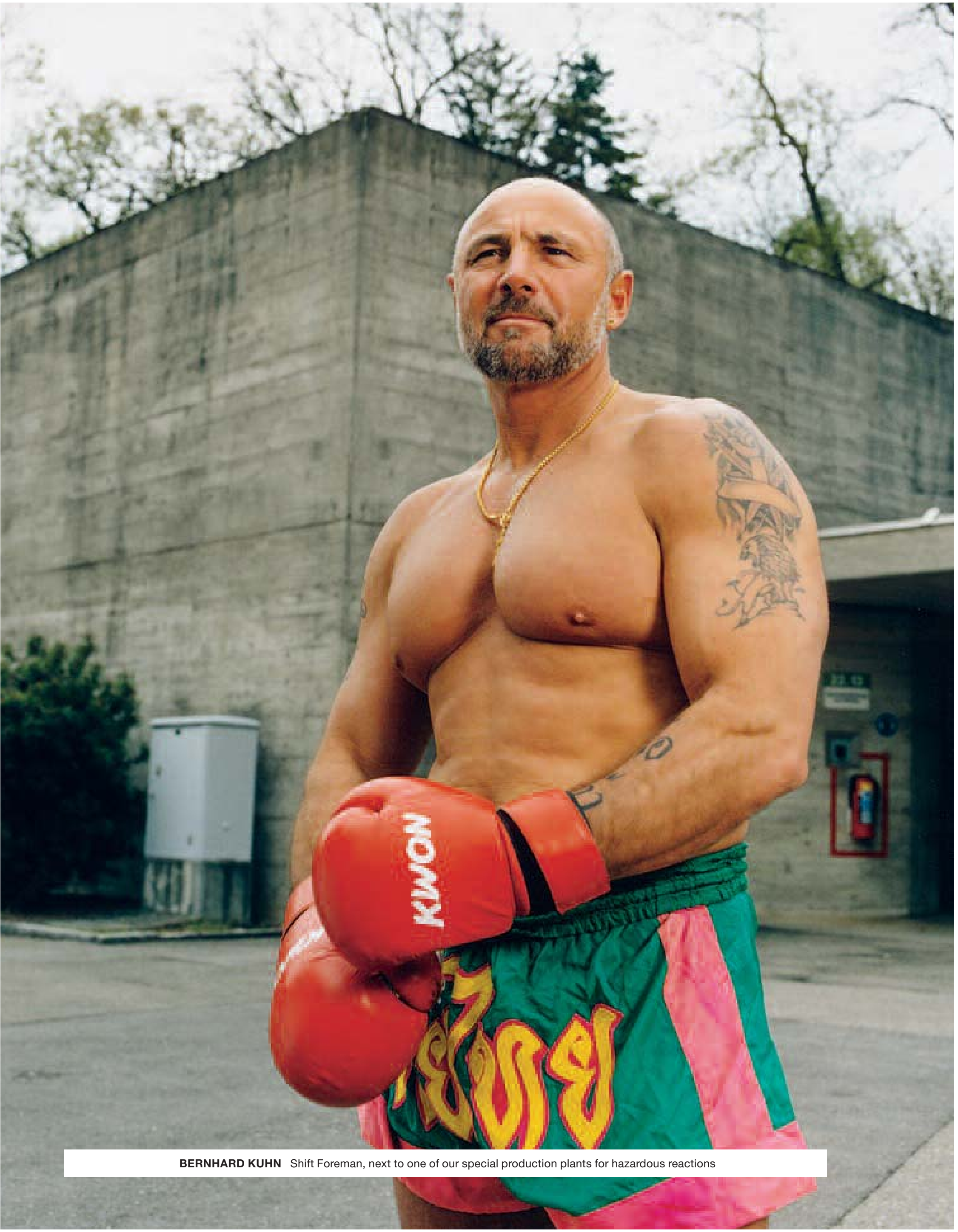
We recommend that the consolidated financial statements submitted to you be approved.

KPMG Fides Peat

Hanspeter Stocker	Thomas Keusch
Swiss Certified Accountant	Swiss Certified Accountant
Auditor in Charge	

Zurich, May 15, 2006

LUKAS FROMMENWILER Laboratory Technician, in the cGMP small-scale production facility for APIs



BERNHARD KUHN Shift Foreman, next to one of our special production plants for hazardous reactions

Financial Statements DOTTIKON ES HOLDING AG

Income Statement DOTTIKON ES HOLDING AG

February 16–March 31 CHF thousand

Holding founded on February 16, 2005 (first business year)

	2005/06
Income from investments	17,000
Financial income	2,763
Compensation from group companies	606
Other income	452
Income	**20,821**
Financial expenses	–99
Compensation to group companies	–271
External expenses	–1,718
Income taxes	–202
Expenses	**–2,290**
Net income	**18,531**

Balance Sheet DOTTIKON ES HOLDING AG

CHF thousand

Holding founded on February 16, 2005 (first business year)

	Notes	31.03.2006
Loans to group companies		60,000
Investments	(1)	6,100
Investments in associated companies	(1)	848
Own shares	(2)	7,723
Non-current assets		**74,671**
Current loans to group companies		5,330
Other receivables from third parties		9
Prepaid expenses and accrued income		200
Cash and cash equivalents		5,059
Current assets		**10,598**
Assets		**85,269**
Share capital		6,363
Legal reserves		7,723
Other reserves		52,277
Retained earnings		
Profit brought forward		0
Net income		18,531
Shareholders' equity	(3)	**84,894**
Non-current liabilities		**0**
Other liabilities due to group companies		63
Other liabilities due to third parties		222
Accrued expenses and deferred income		90
Current liabilities		**375**
Liabilities		**375**
Shareholders' equity and liabilities		**85,269**

Statement of Changes in Equity DOTTIKON ES HOLDING AG

CHF thousand

Holding founded on February 16, 2005
(first business year)
Notes 3

	Share capital	General reserves	Reserves for own shares	Other reserves	Retained earnings	Sharholders' equity
Balance 16.02.2005	**100**	**0**	**0**	**60,000**	**0**	**60,100**
Share capital increase	6,263					6,263
Net income					18,531	18,531
Reclassifications			7,723	–7,723		0
Balance 31.03.2006	**6,363**	**0**	**7,723**	**52,277**	**18,531**	**84,894**

THOMAS LANGENEGGER Project Manager Automation, in one of our multi-ton cGMP production plants for hazardous reactions

SIMON KAUFMANN Laboratory Technician, next to one of our vehicles from the on-site fire brigade

Notes DOTTIKON ES HOLDING AG

Notes to the Financial Statements DOTTIKON ES HOLDING AG

DOTTIKON ES HOLDING AG was founded on February 16, 2005. The first reporting year of DOTTIKON ES HOLDING AG ran from February 16, 2005 to March 31, 2006. Therefore, no comparative figures exist.

1 INVESTMENTS/INVESTMENTS IN ASSOCIATES

DOTTIKON ES HOLDING AG holds 100% of DOTTIKON EXCLUSIVE SYNTHESIS AG with a share capital of CHF 102 thousand and 100% of DOTTIKON ES MANAGEMENT AG with a share capital of CHF 100 thousand. The investments are measured at cost.

Investments in associated companies include SYSTAG, System Technik AG in Rüschlikon with a share capital of CHF 410 thousand, that was acquired on December 7, 2005. The interest in the investment is 33.9% and is measured at cost.

Information regarding purpose and domicile of listed companies are shown on page 56.

2 OWN SHARES

	Number of shares[A] in circulation	Number of[A] own shares	Value in CHF thou-[B] sand of own shares
Balance 16.02.2005[C]	**20,000**	**0**	**0**
Capital increase[D]	1,252,644	0	0
Balance 23.03.2005	**1,272,644**	**0**	**0**
Purchases	–40,000	40,000	7,915
Balance 31.03.2005	**1,232,644**	**40,000**	**7,915**
Purchases	–749	749	160
Disposals	689	–689	–136
Issued to employees	1,092	–1,092	–216
Balance 31.03.2006	**1,233,676**	**38,968**	**7,723**

[A] Not weighted
[B] At average cost
[C] DOTTIKON ES HOLDING AG founded with 20,000 registered shares with a nominal value of CHF 5
[D] Per 23.03.2005 increase by 1,252,644 registered shares with a nominal value of CHF 5

3 EQUITY

On February 16, 2005, DOTTIKON ES HOLDING AG was founded with a share capital of CHF 100 thousand. The holding took over the loan to DOTTIKON EXCLUSIVE SYNTHESIS AG of CHF 60,000 thousand from EMS-Chemie Holding AG as contribution to the other reserves. The cost of acquiring own shares was recognized in the reserve for own shares. In March 2005, there was a capital increase of CHF 6,263 thousand in DOTTIKON ES HOLDING AG in connection with the initial public offering. The share capital of DOTTIKON ES HOLDING AG is fully paid in and amounts to CHF 6,363 thousand since the capital increase and consists of 1,272,644 registered shares with a nominal value of CHF 5.

4 SIGNIFICANT SHAREHOLDERS

The following shareholders hold more than 5% of the registered share capital:

In % of total share capital of DOTTIKON ES HOLDING AG	31.03.2006
Markus Blocher, Zug[A]	58.9
Miriam Blocher, St. Gallen	5.1
Peter Grogg, Bubendorf, through Ingro Finanz AG, Bubendorf	5.0

[A] Thereof 50.1% through EVOLMA Holding AG, Zug

5 CONTINGENT LIABILITIES

As per March 31, 2006, guarantees to third parties in the amount of CHF 11,000 thousand existed for a possible bank loan. No other guarantees or collaterals existed.

6 EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred between March 31, 2006 and May 15, 2006, that would require an adjustment of the carrying amounts of assets and liabilities. On May 11, 2006, Marlene Born was appointed new CFO. No further events have occurred that need to be disclosed.

Proposal of the Board of Directors for Appropriation of Available Earnings

CHF/31.03.	2005/06
Net income[A]	18,530,924
Balance brought forward[B]	0
Available earnings	**18,530,924**

[A] Period from February 16, 2005 to March 31, 2006
[B] Due to foundation of Holding per February 16, 2005, no balance carried forward was performed

Proposal of the Board of Directors:

CHF/31.03.	2005/06
Transfer to legal reserves	926,546
Payment of ordinary dividend of CHF 8 per registered share entitled to dividends (total 1,235,146 shares)[A]	9,881,168
Transfer to other reserves	7,723,210
Balance to be carried forward	**0**

[A] Per May 15, 2006

The dividend mentioned above in the proposal of the Board of Directors was calculated based on the number of shares entitled to dividends at the date of the board decision. The amount of shares entitled to dividends can still change until the Annual General Meeting on August 18, 2006, due to issued shares to employees or the acquisition and disposal of own shares.

Dottikon, May 15, 2006
For the Board of Directors

Heinz Boller
Chairman of the Board of Directors

Report of the Statutory Auditors to the General Meeting of DOTTIKON ES HOLDING AG, Dottikon

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet, statement of changes in equity and notes on pages 43 to 52) of DOTTIKON ES HOLDING AG ended March 31, 2006 and comprising the period from February 16, 2005 to March 31, 2006.

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 concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss auditing standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of 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 Swiss law and the company's articles of incorporation.

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

KPMG Fides Peat

Hanspeter Stocker
Swiss Certified Accountant
Auditor in Charge

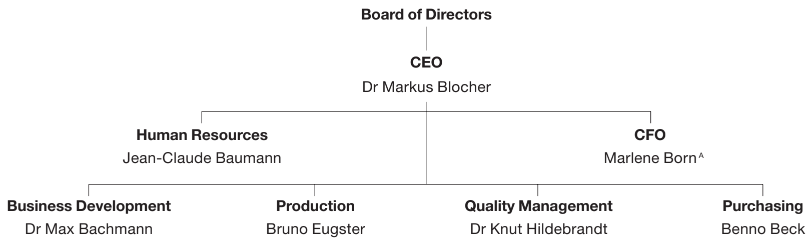
Thomas Keusch
Swiss Certified Accountant

Zurich, May 15, 2006

PETER WÄLCHLI Main Gate Security Guard, in our on-site deer park

Corporate Governance

Corporate Governance



[A] Until May 2006 Roland Germann, from May 2006 Marlene Born

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

The Group comprises the two business segments Fine Chemicals and Recycling & Waste Treatment. The operating management structure is organized by functions according to the illustration above.
DOTTIKON ES HOLDING AG, holding company of DOTTIKON ES Group, has its domicile in Dottikon and is listed at the SWX Swiss Exchange (DESN; security number 2073900). The share capital amounts to CHF 6,363,220, the market capitalization as per March 31, 2006, is CHF 295,253,408. There are no further listed companies in the Group.
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 founded (Group restructuring).

DOTTIKON ES HOLDING AG has investments in the following companies:

- DOTTIKON EXCLUSIVE SYNTHESIS AG
  Domicile in Dottikon/share capital CHF 102,000
  Investment share of 100%/fully consolidated
  Branch/purpose: chemicals/production and sale of chemical intermediates and active pharmaceutical ingredients
- DOTTIKON ES MANAGEMENT AG
  Domicile in Dottikon/share capital CHF 100,000
  Investment share of 100%/fully consolidated
  Branch/purpose: chemicals/management of investment companies
- SYSTAG, System Technik AG
  Domicile in Rüschlikon/share capital CHF 410,000
  Investment share of 33.9%/equity method
  Branch/purpose: automated process technology/development and fabrication of integrated solutions for automated chemical process development

1.2 Major shareholders

Shareholders with voting rights of more than 5% as per March 31, 2006, are shown on page 51, notes 4. There are no shareholder-binding agreements.

1.3 Cross-shareholdings

There are no cross-shareholdings with other companies.

2 CAPITAL STRUCTURE

2.1 Capital

The fully paid-in share capital of DOTTIKON ES HOLDING AG amounts to CHF 6,363,220 as per March 31, 2006 and is divided in shares with a nominal value of CHF 5. Each share has one voting right at the Annual General Meeting.

2.2 Authorized and conditional capital in particular

There is no authorized or conditional capital.

2.3 Capital changes

In February 2005, DOTTIKON ES HOLDING AG was founded with a share capital of CHF 100,000 and DOTTIKON ES MANAGEMENT AG with a share capital of CHF 100,000. Since then, DOTTIKON ES HOLDING AG holds 100% of DOTTIKON EXCLUSIVE SYNTHESIS AG and DOTTIKON ES MANAGEMENT AG. In March 2005, there was a capital increase in DOTTIKON ES HOLDING AG in the amount of CHF 6,263,220. Both formations, the capital increase and the restructuring are the only changes in share capital of the Group. The changes in other equity positions in the business years 2004/05 (pro forma) and 2005/06 are shown on page 19. The business year of DOTTIKON ES Group changed from January 1 until December 31 to April 1 until March 31. The changes in other equity positions in the business year 2003 are shown at historical amounts on page 58 of the listing prospectus.

2.4 Shares and participation certificates

As per March 31, 2006, 1,272,644 registered shares with a nominal value of CHF 5 were issued and fully paid-in. Each share includes one voting right, provided the shareholder is registered in the share ledger (see item 2.6). All shares are unconditionally entitled to dividends except for the own shares held by the Group. There are no participation certificates.

2.5 Profit-sharing certificates

There are no profit-sharing certificates.

2.6 Limitations on transferability and nominee registrations

The registered shares of DOTTIKON ES HOLDING AG can be transferred without restriction. The only requirement for being registered in the share ledger is a declaration of the acquirers that the shares are acquired in their own name and for their own account. Otherwise there are no registration restrictions. Persons holding shares for third parties (so-called nominees) are only entered in the share ledger as shareholders with voting rights, when the nominees confirm in written form that they will disclose the names of the persons for whose accounts they hold the shares.

2.7 Convertible bonds and options

There are no convertible bonds or options.

3 BOARD OF DIRECTORS

3.1 Members of the Board of Directors

MEMBERS OF THE BOARD OF DIRECTORS OF DOTTIKON ES HOLDING AG — Per March 31, 2006

Name	Nationality	Age	Position	Title	Term of office
Heinz Boller	Swiss	64	Chairman, non-executive	Eidg. dipl. Buchhalter	2005–2006
Peter Grogg	Swiss	64	Deputy Chairman, non-executive	Dr. h.c.	2005–2006
Robert Hofer	Swiss	66	Member, non-executive	Dipl. Ing. Chem. ETH, Dr. sc. techn. ETH	2005–2006

Heinz Boller
has a long experience in the pharmaceutical and chemical industry. From 1996 to 2004, he worked for Novartis. From 2000 to 2004, he was Head of Novartis Switzerland and before that he was Head of Novartis Italy. He began his career in 1971 with Ciba-Geigy and lastly was Head of Ciba-Geigy Spain. Heinz Boller is member of the Board of Directors of SV-Group.

Peter Grogg
founded Bachem AG in 1971 and was the CEO until 2002. From 1967 to 1971, he was one of the owners of Fox Chemical Corporation. He is Chairman of the Board of Directors of Bachem Holding AG and Pevion Biotech AG. He is member of the Board of Directors of Berna Biotech AG (until February 2006), Polyphor AG and Tillotts Pharma AG.

Robert Hofer
is a consultant in Switzerland, England and China since 2001. From 1984 to 2001, he was in leading positions at Ciba-Geigy and later at Ciba Specialty Chemicals, lastly as Global Head Technical Operations of the Textile Effects Division.

No member of the Board of Directors had an executive function within DOTTIKON ES Group in the past three years.

No member of the Board of Directors had significant business relations with the DOTTIKON ES Group in the past three years.

3.2 Other activities and binding interests

See item 3.1.

3.3 Conflicting interests

There are no conflicting interests.

3.4 Election and term of office

The members of the Board of Directors are elected by the General Annual Meeting of shareholders for a one-year term of office from one General Annual Meeting to the next (total renewal election). Members may be reelected. Members newly elected during a term of office are elected for the remaining part of the current term. Members of the Board of Directors are not nominated for reelection at the General Annual Meeting after having reached the age of 70. The year of initial election and the remaining term of office are presented in the table in item 3.1.

3.5 Internal organization

The Board of Directors is self-constituting and annually elects the Chairman and Deputy Chairman from its own ranks. To constitute a quorum half of the members of the Board of Directors must be present. It adopts resolutions and conducts its elections by a majority of the votes represented. In the event of a tie, the Chairman has the casting vote, expect for a tie at elections, where the result is assigned by lot. No presence quorum is required on capital increase reports and other decision that need to be notarized. The Board of Directors approves the minutes on its negotiations and resolutions.

The Board of Directors holds at least four meetings a year under the lead of the Chairman. They usually last half a day. The dates of these ordinary Board meetings are determined early in advance that all members can join personally. In the business year 2005/06 all members of the Board of Directors attended all these meetings.

The duties and responsibilities of the Audit Committee, Compensation Committee and the Nomination Committee are performed by all members of the Board of Directors.

Due to the size of the Board of Directors of three persons no fixed committees were founded.

The tasks of the Audit Committee are supervising accounting, financial reporting, financial planning and external audits and assessing the effectiveness of internal controls with support from risk management and legal compliance.

The tasks of the Compensation Committee are determining the form and amount of yearly compensation payable to the members of the Board of Directors and Senior Management.

The tasks of the Nomination Committee include succession planning for the Board of Directors and Senior Management and the selection and assessment of applications for Senior Management positions or for the Board of Directors.

These above-mentioned duties and tasks are performed during the ordinary meetings of the Board of Directors by all Board members.

3.6 Competencies

The Board of Directors is the highest management organ and supervises and controls the Senior Management of DOTTIKON ES Group. It elects and supervises the Senior Management and is responsible for strategic decisions and determination of accounting and financing principles.

The competencies and the interaction between Board of Directors and Senior Management is set out in the Organizational Regulations of DOTTIKON ES Group.

The Chairman of the Board of Directors and the CEO regularly inform each other and discuss all important issues that are fundamental or highly significant.

3.7 Information and control instruments with regard to Senior Management

Senior Management provides the Board of Directors with timely information and documents. The Board of Directors is regularly informed on the course of the business and receives Group figures containing consolidated financial statements with previous year and budget comparatives and key figures to assess the Group's performance. Every quarter the Board of Directors receives a forecast of accounts to the end of the year and once a year the medium-term plan for the following three years. The financial statements and the course of business are discussed at the Board meetings. The Board of Directors discusses the strategy of the Group once a year.

4 SENIOR MANAGEMENT

4.1 Members of the Senior Management

MEMBERS OF THE SENIOR MANAGEMENT OF DOTTIKON ES GROUP — Per March 31, 2006

Name	Nationalität	Age	Function	Title	Member since
Markus Blocher	Swiss	35	CEO/Managing Director	Dipl. Chem. ETH, Dr. sc. nat. ETH	2003
Marlene Born[A]	Swiss	30	CFO	Eidg. Dipl. Expertin in Rechnungslegung/Controlling	2006
Max Bachmann	Swiss	51	Head of Business Development	Dipl. Chem. ETH, Dr. sc. nat. ETH	1999
Bruno Eugster	Swiss	50	Head of Production	Chemiker HTL	1997
Knut Hildebrandt	German	47	Head of Quality Management	Dipl. Chem., Dr. rer. nat.	1999
Benno Beck	Swiss	60	Head of Purchasing	Eidg. dipl. Kaufmann, Leiter Einkauf FAH-HSG	1999

[A] Until May 2006 Roland Germann

Markus Blocher

was appointed CEO of today's DOTTIKON ES Group in the middle of 2003. From 2002 to mid 2003, he was responsible for special projects within EMS Group. Before that, he worked as a consultant for McKinsey&Company. He is member of the Board of Directors of SYSTAG, System Technik AG (see page 34, item 12) and of BV Holding AG.

Marlene Born

is Controller in DOTTIKON ES Group since mid-2005 and took over the CFO function in May 2006. Before that, she collected long-time experience as Head of Accounting of Migros Verteilzentrum Suhr AG.

Max Bachmann

entered today's DOTTIKON ES Group in 1989 where he worked in the Research & Development department and afterwards in various leading positions in production. Before that, he was an assistant at ETH. In 1999, he became Head of Research & Development and since 2003 he is Head of Business Development.

Bruno Eugster

works in the production area of today's DOTTIKON ES Group since 1979. In 1997, he took over the lead of the technical service department and became Head of Production in 1999. He is member of the Board of Directors of Messer Schweiz AG.

Knut Hildebrandt

entered today's DOTTIKON ES Group in 1989 where he worked in the Research & Development and Production departments. Before that, he graduated at the Christian-Albrechts-University in Kiel. Since 1999, he is Head of Quality Management.

Benno Beck

entered today's DOTTIKON ES Group in 1982 in the Purchasing department. Since 1999, he is Head of Purchasing, and since 2003, he is responsible for the sales of Recycling & Waste Treatment.

4.2 Other activities and binding interests
See item 4.1.

4.3 Management contracts
There are no management contracts.

5 COMPENSATION, SHAREHOLDINGS AND LOANS
5.1 Content and method of determining the compensation and shareholding programs
The Board of Directors, who performs the duties of the Compensation Committee, is responsible for compensation policy at level of Board of Directors and Senior Management. The priority objective of the compensation policy is to recruit and retain the persons most qualified to secure the success of DOTTIKON ES Group.
The members of the Board of Directors receive a basic salary. The members of the Senior Management receive a fair remuneration according to their skills, experience and performance. Composition and amount of compensation depend on the situation in the industry and the employment market and are reviewed regularly. The remuneration is based on a fixed basic salary, a performance-driven cash bonus and compensation in shares of DOTTIKON ES HOLDING AG. The bonus level depends on the achievement of personal and company goals that are determined in advance. Shares of DOTTIKON ES Group are assigned to key performance driving persons as a long-term financial incentive.

5.2 Compensation for serving members of executive bodies
In the reporting year 2005/06, a total of CHF 87 thousand was paid as compensation to the three non-executive members of the Board of Directors.
In the reporting year 2005/06, a total of CHF 1,348 thousand was paid as compensation to the six members of the Senior Management.
No severance compensation was paid in the reporting year 2005/06.

5.3 Compensation for former members of executive bodies
No compensation was paid to former members of the Board of Directors or Senior Management in the business year 2005/06.

5.4 Share and option allocations for the reporting year
A total of CHF 879 registered shares in DOTTIKON ES HOLDING AG were allocated in the reporting year 2005/06 to the six members of the Senior Management.
The three non-executive members of the Board of Directors did not receive any shares.
No options were issued to the members of the Board of Directors or Senior Management.

5.5 Share ownership
As per March 31, 2006, the three non-executive members of the Board of Directors and their related parties hold 64,580 registered shares with a nominal value of CHF 5.
As per March 31, 2006, the three non-executive members of the Senior Management and their related parties hold 751,761 registered shares with a nominal value of CHF 5.

5.6 Options
No options were held by members of the Board of Directors or Senior Management as per March 31, 2006.

5.7 Additional fees and remuneration
In the business year 2005/06, no fees or other compensation for additional services provided to DOTTIKON ES Group were paid out to members of the Senior Management, the Board of Directors and their related parties to the amount or in excess of half the ordinary remuneration sum.

5.8 Loans to members of executive bodies
As per March 31, 2006, there are loans to two members of the Senior Management as disclosed below:

Loan in CHF thousand	144
Interest rate[A]	2.00–2.25%
Security/Collateral	Fully covered

[A] 01.04.2004–30.09.2005 at 2.25%
01.10.2005–31.03.2006 at 2.00%

All Employees of DOTTIKON ES Group are subject to the same interest rate conditions.
Repayment of all loans to employees will occur in the following 12 months.
There are no loans to members of the Board of Directors.

5.9 Highest total compensation
In the business year 2005/06 the highest total compensation to a member of the Board of Directors amounted to CHF 36 thousand. This amount does not include any shares (see item 5.4).

6 SHAREHOLDER PARTICIPATION RIGHTS
6.1 Restriction of voting rights and representation
All shareholders that are registered in the share ledger as shareholders with voting rights are allowed to attend the General Meeting (see item 2.6). A registered shareholder may only be represented at the General Meeting by his/her legal representative, by another shareholder who has voting rights, by the representative of the executive bodies, by an independent proxy, or by a proxy holder of deposited shares. The Chairman finally concludes on the acceptance of a written authorization.

6.2 Statutory quorum
Except where the law provides otherwise, decisions taken by the General Meeting are passed by an absolute majority of the voting rights represented.
In the event of a tie, the Chairman has the casting vote.

6.3 Convocation of the General Meeting
The Ordinary General Meeting is convened in accordance with legal requirements and Articles of Incorporation of DOTTIKON ES HOLDING AG. It is convened by a single publication in the Swiss Commercial Gazette (“Schweizerisches Handelsamtsblatt”) and by written invitations sent to the addresses of the shareholders and beneficiaries entered in the share ledger. Extraordinary General Meetings of Shareholders are held in the cases prescribed by law and as required.

6.4 Agenda
Shareholders representing more than CHF 1 million of the nominal value of the company's share capital may request that a particular item be added to the agenda (Art. 699§ 3 CO). Such a request must be submitted at least 60 days in advance of the General Meeting, specifying the subject to be discussed and the proposals.

6.5 Entry in the share ledger
The Board of Directors determines a cut-off date, when shareholders at the latest must be entered into the share ledger in order to attend the General Meeting and includes this appointed date in the invitation to the shareholders. The cut-off is one week before the General Meeting. There is no exception to get around this cut-off date.

7 CHANGES IN CONTROL AND DEFENSE MEASURES

7.1 Obligation to submit a purchase offer
DOTTIKON ES HOLDING AG has no statutory regulation to opt-in or opt-out.

7.2 Clauses on changes in control
There are no clauses on changes in control.

8 AUDITORS

8.1 Duration of mandate, term of office of auditor in charge
KPMG Fides Peat, Zürich, have acted as external auditors of today's DOTTIKON EXCLUSIVE SYNTHESIS AG since the business year 2004. Since DOTTIKON ES HOLDING AG and the new group structure have been founded as per February 16, 2005, KPMG is in charge for the external audit of DOTTIKON ES HOLDING AG and DOTTIKON ES Group. Hanspeter Stocker has been the auditor in charge since the business year 2004.
The Ordinary General Meeting elects the statutory and Group auditor for a period of one year. Reelection is possible.

8.2 Audit fees
DOTTIKON ES Group paid CHF 90 thousand for services relating to the audit of the financial statements 2005/06 of the Group, DOTTIKON ES HOLDING AG and the group companies audited by KPMG.

8.3 Additional fees
No additional fees were paid to the audit company or its related parties.

8.4 Supervisory and control instruments with regard to the auditors
The Audit Committee supervises and assesses the effectiveness of the external auditors. The tasks of the Audit Committee are performed through the Board of Directors (see page 59, item 3.5). The members of the Board of Directors take note of the auditor's reports and management letters of the statutory and Group auditors. Usually there is one meeting a year between the external auditors and the members of the Board of Directors.

9 INFORMATION POLICY

DOTTIKON ES Group follows an active, open and up-to-date information policy with respect to all stakeholders.
DOTTIKON ES HOLDING AG publishes Annual Reports, Half-Year Reports and regular press releases, in which it informs its shareholders on all important business events.
DOTTIKON ES HOLDING AG also publishes all share-price-relevant matters in connection with the ad-hoc publicity of SWX Swiss Exchange. All updated information can be found via internet (www.dottikon.com).

IVO HUBACEK Director of Sales and Head of US Rep-Office, next to one of our distillation towers

Investor Relations

Annual General Meeting for the Business Year 2005/06:
August 18, 2006

Issue Half-Year Report 2006/07:
End of November 2006

Issue Annual Report 2006/07:
Beginning of June 2007

Annual General Meeting for the Business Year 2006/07:
End of June 2007

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

Contact:
Rémy Scheidegger, Senior Assistant to CEO
remy.scheidegger@dottikon.com

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.

DISCLAIMER

Statements on future events or developments, particularly on the estimation of future business, reflect the view of the management of DOTTIKON ES HOLDING AG in the moment of composition. Since these naturally contain uncertainties and risks, they are given without guarantee and any liability is denied. DOTTIKON ES HOLDING AG refuses to actualize any forward-looking statements. The Internet version of these financial statements is exposed to fraudulent manipulation possibilities that are within such a medium, and is therefore without guarantee. This Annual Report is available in German too. Only the printed version in German handed over to the Swiss Exchange (SWX) is legally binding.

IMPRESSUM

ART DIRECTION, GRAPHICS & TYPESETTING
Raffinerie AG für Gestaltung, Zurich
www.raffinerie.com

PHOTOGRAPHY
Guadalupe Ruiz, Zurich
www.lupita.ch

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