2008/09
Half-Year Report

Your Specialist
for Hazardous
Reactions.

Content

Dear Shareholder,

We are pleased to present DOTTIKON ES Group's Half-Year Report for the period from April 1 to September 30, 2008.

At the end of the reporting period, the shock of the financial crisis heralded a turning point in the worldwide economic boom – the latter a development that had been driven by rampant, Asia-led globalization, as well as the rapid proliferation of information efficiency and transparency via Internet technology – causing major uncertainty and a lack of confidence, and finally bursting the commodity price bubble. The primary and secondary consequences of the financial crisis, climate change debate, and regulatory interventions to reduce healthcare costs have brought a worldwide recession that – according to future-anticipating stock market prices – will prove deeper and longer-lasting than originally anticipated.

The safety and quality deficiencies in products from the Asia region became still more acute in the reporting period, culminating in far-reaching sanctions by healthcare authorities – in particular the US Food and Drug Administration (FDA). The public insight afforded by the Olympic Games further strengthened awareness and sensitivity among consumers. "Trust" has acquired greater importance against the backdrop of the financial crisis, and will grow in significance again as the most relevant basis for any sustainable, valuable business relationship.

KEY FIGURES, APRIL–SEPTEMBER

CHF million (unaudited)	2007	2008	Changes
Net sales	61.7	78.2	26.7%
EBITDA	12.4	24.0	93.3%
EBITDA margin (in % of net sales)	20.1%	30.6%	
EBIT	6.9	17.3	150.5%
EBIT margin (in % of net sales)	11.2%	22.2%	
Net income	6.2	14.5	135.1%
Net income margin (in % of net sales)	10.0%	18.6%	
Operating cash flow	5.6	29.8	432.7%
Employees (FTEs, six-month average)	435	470	8.0%

Generics, as well as tighter regulation, have continued to increase cost pressure on pharmaceutical companies. Major cost reductions have been implemented. In most cases, however, these reductions are made – in the hope of achieving a successful launch for drugs that are shortly before market introduction – often at the expense of projects in development, i.e. delaying the development of drugs in early clinical stages. This trend is exacerbated as a result of the aforementioned uncertainty caused by the financial crisis. Innovation pressure toward more specific and more effective active ingredients with new mechanisms of action and fewer side-effects is continuing to grow, however. First signs that marketing strategies are being superseded by innovation-driven pharmaceutical strategies can be detected in the US, where traditionally the willingness to take risks is greater.

In light of the tensions surrounding the increasing demand for quality and safety, together with innovation and cost pressures, the key success factors will be innovation, efficiency, and reliable quality. The pharmaceutical companies have to concentrate on their core competencies of clinical research and development, patenting, and distribution, and initiate close cooperation with strategic, i.e. innovative, experienced and reliable partners in process development and production.

Albeit retarded at present due to current economic circumstances, the demand for high-quality, sophisticated exclusive synthesis under time pressure – in other words, the demand for process development capacity for safe chemical processes with hazardous reactions and high-volume capacity for multi-ton production employing these processes in compliance with safety and pharmaceutical quality standards – is set to increase sharply again going forward. We therefore expanded capacity and increased our workforce in the first half of the business year. Average full-time equivalents increased by 8 percent year-on-year in the reporting period, and personnel expenses rose by around 10 percent. The expansion of our multi-purpose production capacity by two reactor groups and a low-temperature unit – to bring them on stream in the middle of 2009 – is proceeding according to plan.

Compared with the same period in the previous year, profitability increased in the first half of the current business year as a result of higher sales of an improved product mix, together with an extraordinary effect of a divesture of property – most of which had been acquired in 2006. Despite a CHF 5 million increase in investment to CHF 14 million compared with the same period in the previous year, the free cash flow rose by more than CHF 19 million.

The implementation and build-on of our strategy – performance leadership as specialist for hazardous reactions – will continue. DOTTIKON ES continues to focus on high flexibility, speed, safety, and reliability. In the current business year 2008/09, we will proceed our investments in high-quality, technologically advanced capacity expansion.

For the full business year 2008/09 in comparison to the previous year, we expect an increase in net sales, while improving our product mix.

Dottikon, November 20, 2008

Dr Markus Blocher
Chief Executive Officer

Financial Report

Consolidated Income Statements

April–September
CHF thousand and % (unaudited)
Notes, No 1

A There are no options or similar that have a dilutive effect

	2007	%	2008	%
Net sales	**61'746**	**100.0**	**78'237**	**100.0**
Changes in semi-finished and finished goods	8'613		4'855	
Other operating income	1'800		6'512	
Material expenses	-28'581		-31'154	
Personnel expenses	-22'928		-25'148	
Other operating expenses	-8'259		-9'348	
EBITDA	**12'391**	**20.1**	**23'954**	**30.6**
Depreciation and amortization	-5'470		-6'614	
EBIT	**6'921**	**11.2**	**17'340**	**22.2**
Financial income	580		1'103	
Financial expenses	-238		-826	
Financial result	**342**		**277**	
Result from associated companies	**0**		**0**	
Net income before taxes	**7'263**	**11.8**	**17'617**	**22.5**
Income taxes	-1'090		-3'103	
Net income	**6'173**	**10.0**	**14'514**	**18.6**
Basic earnings per share in CHF [A]	**4.99**		**11.73**	
Weighted average number of shares	**1'235'963**		**1'237'265**	

Consolidated Balance Sheets

CHF thousand and % (unaudited)
Notes, No 2

	31.03.2008	%	30.09.2008	%
Intangible assets	106		88	
Property, plant and equipment	194'974		205'693	
Investments in associated companies	1'068		1'068	
Financial assets	18'949		17'501	
Non-current assets	**215'097**	**62.5**	**224'350**	**62.4**
Non-current assets held for sale	3'985		0	
Inventories	62'896		60'708	
Trade receivables	39'683		30'748	
Other receivables	6'997		4'648	
Cash and cash equivalents	15'308		39'085	
Current assets	**128'869**	**37.5**	**135'189**	**37.6**
Assets	**343'966**	**100.0**	**359'539**	**100.0**
Share capital	6'363		6'363	
Share premium	60'321		60'407	
Own shares	-7'296		-7'098	
Retained earnings	217'632		231'115	
Shareholders' equity	**277'020**	**80.5**	**290'787**	**80.9**
Deferred tax liabilities	39'151		39'196	
Non-current liabilities	**39'151**	**11.4**	**39'196**	**10.9**
Trade payables	11'738		10'079	
Income tax liabilities	3'286		3'877	
Other current liabilities	12'421		15'600	
Prepayments related to non-current assets held for sale	350		0	
Current liabilities	**27'795**	**8.1**	**29'556**	**8.2**
Liabilities	**66'946**	**19.5**	**68'752**	**19.1**
Shareholders' equity and liabilities	**343'966**	**100.0**	**359'539**	**100.0**

Consolidated Cash Flow Statements

April–September
CHF thousand (unaudited)
Notes, No 3

[A] Cash and bank accounts:
CHF 16'085 thousand (previous year: CHF 22'147 thousand)
Fixed deposits (original maturity of up to 90 days):
CHF 23'000 thousand (previous year: CHF 0 thousand)

	2007	2008
Net income before taxes	7'263	17'617
Financial result	-342	-277
Depreciation of property, plant and equipment	5'384	6'565
Amortization of intangible assets	86	49
Result from associated companies	0	0
Other non-cash income and expenses	1'568	-2'464
Interest received	362	305
Dividends received	6	0
Interest paid	-16	-11
Income taxes paid	-2'657	-2'182
Changes in		
Trade receivables	4'069	9'389
Other receivables	-445	512
Inventories	-8'938	2'188
Trade payables	-1'058	-3'611
Other current liabilities	319	1'757
Cash flow from operating activities	**5'601**	**29'837**
Additions to		
Intangible assets	0	0
Property, plant and equipment	-9'473	-14'390
Financial assets	0	0
Disposals of		
Intangible assets	0	0
Property, plant and equipment	0	4
Financial assets	0	160
Payment receipt related to non-current assets held for sale	350	8'150
Cash flow from investing activities	**-9'123**	**-6'076**
Dividends paid	-9'889	0
Purchase of own shares	0	-45
Disposal of own shares	0	0
Cash flow from financing activities	**-9'889**	**-45**
Currency translation effect on cash and cash equivalents	-10	61
Net change in cash and cash equivalents	**-13'421**	**23'777**
Cash and cash equivalents at the beginning of the reporting period	35'568	15'308
Cash and cash equivalents at the end of the reporting period [A]	**22'147**	**39'085**

Consolidated Statement of Changes in Equity

CHF thousand (unaudited)

	Share capital	Share premium	Own shares	Changes in fair value of foreign exchange forwards (including tax impact)	Other retained earnings	Shareholders' equity
Balance 01.04.2007	**6'363**	**60'214**	**-7'523**	**-63**	**206'193**	**265'184**
Realized result of foreign exchange forwards				127		127
Changes in fair value of foreign exchange forwards				152		152
Net income recognized directly in equity				**279**		**279**
Net income					6'173	6'173
Total recognized income and expense for the period				**279**	**6'173**	**6'452**
Dividends paid					-9'889	-9'889
Changes in own shares		107	245			352
Balance 30.09.2007	**6'363**	**60'321**	**-7'278**	**216**	**202'477**	**262'099**
Balance 01.10.2007	**6'363**	**60'321**	**-7'278**	**216**	**202'477**	**262'099**
Realized result of foreign exchange forwards				-64		-64
Changes in fair value of foreign exchange forwards				970		970
Net income recognized directly in equity				**906**		**906**
Net income					14'033	14'033
Total recognized income and expense for the period				**906**	**14'033**	**14'939**
Changes in own shares			-18			-18
Balance 31.03.2008	**6'363**	**60'321**	**-7'296**	**1'122**	**216'510**	**277'020**
Balance 01.04.2008	**6'363**	**60'321**	**-7'296**	**1'122**	**216'510**	**277'020**
Realized result of foreign exchange forwards				-1'017		-1'017
Changes in fair value of foreign exchange forwards				-14		-14
Net income recognized directly in equity				**-1'031**		**-1'031**
Net income					14'514	14'514
Total recognized income and expense for the period				**-1'031**	**14'514**	**13'483**
Changes in own shares		86	198			284
Balance 30.09.2008	**6'363**	**60'407**	**-7'098**	**91**	**231'024**	**290'787**

Notes

Corporate Accounting Principles (condensed)

BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements comprise DOTTIKON ES HOLDING AG and all entities which the holding directly or indirectly controls either by holding more than 50 percent of the voting rights or by having otherwise the power to govern their operating and financial policies. These entities are fully consolidated. The consolidation is based on the individual financial statements of the subsidiaries prepared on the basis of uniform accounting policies.

Entities, in which DOTTIKON ES Group holds at least 20 percent of the voting rights, but less than 50 percent, or over which it otherwise has significant influence, are accounted for using the equity method and are classified as investments in associated companies.

The consolidated interim financial statements are prepared for the half year ended September 30, 2008 (reporting period), and have been prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The interim financial statements have not been audited.

These consolidated interim financial statements do not include all information available in the annual financial statements and should therefore be read in conjunction with the group financial statements for the year ended March 31, 2008.

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 the 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 judgment 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.

No new significant estimates and assumptions were made in these consolidated interim financial statements compared to the consolidated financial statements for the year ended March 31, 2008.

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

CHANGES IN CORPORATE ACCOUNTING PRINCIPLES

The interim financial statements have been prepared in accordance with the accounting policies set out in the annual financial statements 2007/08, except for the following:

Per April 1, 2008, DOTTIKON ES Group has adopted the new Interpretations IFRIC 12 "Service Concession Arrangements" and IFRIC 14 (IAS 19) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

The adoption of IFRIC 12 had no significant impact on the Group's equity and net income.

The adoption of IFRIC 14 (IAS 19) was estimated by an independent certified actuary for the Half-Year Report. No significant impact on the Group's equity and net income was noted.

STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET APPLIED

The following new and revised standards and interpretations have been issued up to 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 interim 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 the management of the Group.

Standard/Interpretation		Effective date	Planned application by DOTTIKON ES Group
IFRIC 13 – Customer Loyalty Programmes	A	July 1, 2008	Business year 2009/10
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	A	October 1, 2008	Business year 2009/10
Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements	A	January 1, 2009	Business year 2009/10
Amendment to IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations	A	January 1, 2009	Business year 2009/10
IFRS 8 – Operating Segments	C	January 1, 2009	Business year 2009/10
Improvements to IFRSs	C	January 1, 2009	Business year 2009/10
IAS 1 revised – Presentation of Financial Statements	B	January 1, 2009	Business year 2009/10
IAS 23 revised – Borrowing Costs	A	January 1, 2009	Business year 2009/10
Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	A	January 1, 2009	Business year 2009/10
IFRIC 15 – Agreements for the Construction of Real Estate	A	January 1, 2009	Business year 2009/10
IFRS 3 revised – Business Combinations	C	July 1, 2009	Business year 2010/11
Improvements to IFRSs	C	July 1, 2009	Business year 2010/11
Amendments to IAS 27 – Consolidated and Separate Financial Statements	C	July 1, 2009	Business year 2010/11
Eligible Hedged Items – Amendment to IAS 39 – Financial Instruments: Recognition and Measurement	A	July 1, 2009	Business year 2010/11

[A] No impact or no significant impact is expected on the consolidated financial statements of DOTTIKON ES Group
[B] The impact on the consolidated financial statements of DOTTIKON ES Group is expected to result in additional disclosures or changes in presentation
[C] The impact on the consolidated financial statements of DOTTIKON ES Group cannot yet be determined with sufficient reliability

Notes to the Consolidated Interim Financial Statements (condensed)

1 INCOME STATEMENT

Net sales increased by CHF 16.5 million to CHF 78.2 million compared to the same period in the previous year. It should be noted that the preparatory efforts relating to semi-finished and finished goods in the previous year had a significant impact on the increased net sales. The increase in semi-finished and finished goods of CHF 4.9 million in connection with preparatory efforts – for products to be delivered in the second half of the business year – was CHF 3.8 million less in the reporting period than in the same period in the previous year. Material expenses rose by CHF 2.6 million compared to the same period of the previous year due to the increased net sales as well as the lower inventory build-up of semi-finished and finished goods.

In the reporting period, other operating income increased, mainly as a result of the extraordinary effect of the disposal of "property which is being held for sale" by CHF 4.5 million.

The expansion of capacity was coupled with a further increase in qualified personnel of 8 percent, resulting in a CHF 2.2 million increase in personnel expenses.

Other operating expenses increased by approximately CHF 1.1 million to CHF 9.3 million as a result of the higher consumption and a rise in prices for supplies due to the higher productive capacity, costs not eligible for capitalization in connection with investing activities, and extraordinary expenses caused by the disposal of "property which is being held for sale".

Depreciation rose by CHF 1.1 million in the reporting period. This was mainly due to decreased useful lives of several technical plant and machinery – in connection with the investments in high-quality, technologically advanced plant components – which resulted in additional depreciation of CHF 0.9 million, as well as the result of the increased investing activities, which led to higher depreciation of CHF 0.2 million.

EBIT rose by CHF 10.4 million to CHF 17.3 million, mainly as a result of the increased net sales with an improved product mix, as well as the extraordinary effect of the disposal of "property which is being held for sale".

The associated company (SYSTAG, System Technik AG) reports its figures once a year for the annual report as of March 31. The impact on the Group's equity and net income is not material and will therefore only be considered in the annual report as of March 31.

Income tax expenses showed a slightly disproportionate increase of CHF 2.0 million in the reporting period due to the higher net income.

The Group's operations are not subject to significant seasonal fluctuations.

2 BALANCE SHEET

Non-current assets increased by CHF 9.3 million. This rise was solely due to the intensified investment in high-quality, technologically advanced capacity expansion. The corresponding additions amount to CHF 17.4 million. The cash outflow from investing activities amounts to CHF 14.4 million in the reporting period. Financial assets decreased by approximately CHF 1.4 million in the reporting period and amount to CHF 17.5 million as of end of September 2008. The employer contributions to the pension plan have been financed by the existent employer contribution reserves as in the previous year.

Per April 1, 2008, DOTTIKON ES Group adopted the new Interpretation IFRIC 14 (IAS 19) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". IFRIC 14 contains principles on how an entity determines the economic benefit of a surplus in its pension plan in accordance with IAS 19. An independent certified actuary estimated the recoverability of the capitalized surplus. No significant impact was noted.

Current assets increased by CHF 6.3 million compared to end of March 2008. This mainly resulted from the CHF 23.8 million rise in cash and cash equivalents due to increased net sales in the first half of the reporting period, as well as from the consistent reduction in trade receivables and disposal of "property which is being held for sale" with a carrying amount of CHF 4.0 million in the balance sheet as of end of March 2008. Inventories decreased by approximately CHF 2.2 million, mainly due to lower inventory of raw materials.

Shareholders' equity increased by CHF 13.8 million compared to end of March 2008, and now amounts to CHF 290.8 million as of end of September 2008. The equity ratio is 80.9 percent as of end of September 2008, and has only marginally changed. This increase in shareholders' equity is mainly due to the sharp rise – as a result of extraordinary effects – from the Group's net income of CHF 14.5 million. In the first half of the reporting period, the transactions with own shares resulted in a net reduction for the acquirement of gratuity shares for employees, which DOTTIKON ES Group considers being performance drivers.

Current liabilities increased by CHF 1.8 million compared to March 2008. This is due to an increase in other current liabilities of CHF 3.2 million, mainly as a result of the work performed in relation to plants under construction, which have not yet been charged, as well as the decrease of CHF 1.7 million in trade payables.

3 CASH FLOW STATEMENT

Cash flow from operating activities increased by CHF 24.2 million compared to the same period in the previous year and amounts to CHF 29.8 million in the first half of the reporting period. This mainly results from the sharp increase in net sales of 26.7 percent, the significant reduction in inventories of raw materials and lower inventory build-up in semi-finished and finished goods of CHF 11.1 million, as well as the consistent reduction in trade receivables of CHF 5.3 million compared to the same period in the previous year.

In the reporting period, on the one hand the other non-cash income and expenses were influenced by employer contributions for the pension plan amounting to CHF 1.4 million (same period in the previous year: CHF 1.2 million) – which were financed by the existent employer contribution reserves – and on the other hand by a gain on the disposal of "property which is being held for sale" of CHF 4.5 million.

In the reporting period, DOTTIKON ES Group's outflow of cash and cash equivalents in investing activities was CHF 4.9 million higher than in the same period of the previous year and amounts to CHF 14.4 million; this rise was due to the intensified investment in high-quality, technologically advanced capacity expansion. The disposal of "property which is being held for sale" generated an inflow of CHF 8.2 million in cash and cash equivalents for DOTTIKON ES Group in the reporting period. A prepayment of CHF 0.4 million was received for the corresponding sale in the same period of the previous year.

In the reporting period, no dividend was paid to the shareholders of DOTTIKON ES HOLDING AG (previous year: CHF 9.9 million). The abdication of dividend will be used for the intensive capacity expansion activities, which will be continued in the second half of the business year 2008/09.

Cash and cash equivalents rose by CHF 23.8 million in the reporting period and amount to CHF 39.1 million as of end of September 2008.

4 SEGMENT REPORTING/BREAKDOWN BY BUSINESS AREA

The business area Fine Chemicals represents the core business of the company. Within this business, the company is specialized in 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.
Within the business area Recycling & Waste Treatment, the company distills and recycles solvents and incinerates chemical wastes. With the on-site facilities, it primarily handles internal needs. In addition, the company enters into arrangements to manage waste from other players in order to increase capacity utilization.

5 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated interim financial statements were approved for issue by the Board of Directors on November 20, 2008.
No events have occurred between September 30, 2008, and November 20, 2008, that would require an adjustment of the Group's carrying amounts of assets and liabilities or would require disclosure in this note.

SEGMENT REPORTING/BREAKDOWN BY BUSINESS AREA, APRIL–SEPTEMBER

	Primary segment	Net sales with other segments		Net sales with third parties		Net sales total		EBIT	
CHF thousand (unaudited)		2007	2008	2007	2008	2007	2008	2007	2008 [A]
	Fine Chemicals	**0**	**0**	**58'560**	**74'692**	**58'560**	**74'692**	**6'157**	**16'520**
	Recycling & Waste Treatment	**5'792**	**8'015**	**3'186**	**3'545**	**8'978**	**11'560**	**764**	**820**
	Subtotal segments	5'792	8'015	61'746	78'237	67'538	86'252	6'921	17'340
	./. Internal net sales	-5'792	-8'015			-5'792	-8'015		
	Total	**0**	**0**	**61'746**	**78'237**	**61'746**	**78'237**	**6'921**	**17'340**

[A] Earnings from disposal of "property which is being held for sale" can be allocated to the business segment Fine Chemicals

Investor Relations

Issue Annual Report 2008/09:
May 29, 2009

Annual General Meeting for the Business Year 2008/09:
July 2, 2009

Issue Half-Year Report 2009/10:
November 27, 2009

DOTTIKON ES HOLDING AG is listed at the SIX Swiss Exchange.
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DOTTIKON ES Group, with its production site in Dottikon (Aargau, Switzerland), is specialized in 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 Half-Year Report is available in German too. Only the printed version in German handed over to the SIX Swiss Exchange is legally binding.

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