2006/07 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 first six months (April 1 to September 30) of the 2006/07 business year.

During the period under review, M&A activity continued unabated throughout the pharmaceutical industry and especially in Europe. Some of the pharma companies have started to respond to increasing pressure on margins – the result of growing competition from generics, government-imposed price controls and the sharp rise in drug development costs over recent years – by implementing cost reduction measures. These involve reviewing internal processes with the aim of streamlining them and enhancing their efficiency on the one hand, and reorganization on the other. In the interest of reducing the total cost of drug development, and following the principle of "kill 'em cheap and early", commercial process development for the production of new molecules in development does not start until clinical phase II. However, this is the stage where appreciable quantities of active ingredient are required, initially at pilot scale and subsequently at production scale – and the scope for future process enhancements shrinks with every clinical phase. Moreover, from phase II forward, the aim is to bring the product to market as soon as possible. This makes rapid process development to commercial maturity coupled with simultaneous production of a certain quantity of active ingredient the key success factor in exclusive synthesis.

KEY FIGURES, APRIL–SEPTEMBER

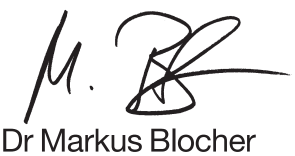
		2005	2006	Changes
CHF million (unaudited)	Net sales	58.9	61.3	4.1%
	EBITDA	12.3	13.4	9.2%
	EBITDA margin (in % of net sales)	20.8%	21.9%	
	EBIT	6.4	7.5	16.7%
	EBIT margin (in % of net sales)	10.9%	12.2%	
	Net income	5.2	6.3	20.8%
	Net income margin (in % of net sales)	8.9%	10.3%	
	Operating cash flow	12.9	15.6	20.5%

Profitability continued to rise compared to the last-year period, driven by a slight increase in sales and continued improvement of the product mix, a process evident from full-year figures for 2005/06. DOTTIKON ES pursues a corporate strategy of becoming the leading specialist in hazardous reactions. As such, the current market environment offers an exclusive niche in the additional premium segment. This stems from the cumulative requirements of time, costs, quantity and safety – i.e. the risk-free use of hazardous reactions for the time-critical, rapid, project-based development of a cost-efficient process plus simultaneous production of quantities ranging seamlessly from kilograms to several tons.

Last business year we continued to prepare for these changes by once again expanding our R&D and production capacities to achieve and secure leadership in hazardous reactions. DOTTIKON ES has augmented its R&D organization by adding further process development units. This has increased capacity by around 25%. Our production equipment was enhanced by the addition of product-related modules for our flexible modular approach. This approach involves using modules to set up small- to pilot-scale production trains for fit-for-purpose manufacturing while the process undergoes further development. We also invested in quality improvements and did groundwork on the future quantitative expansion of production capacities.

Implementation of our strategy to become the performance leader in hazardous reactions will continue. We will focus on maximum flexibility, speed, reliability and safety. Barring unforeseeable events, we expect the 2006/07 business year to bring a slight rise in net sales and a further improvement in the product mix.

Dottikon, November 23, 2006



Dr Markus Blocher

Chief Executive Officer

Financial Report

Consolidated Income Statements

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

	2005	%	2006	%
Net sales	**58'941**	**100.0**	**61'340**	**100.0**
Changes in semi-finished and finished goods	46		-686	
Other operating income	1'360		1'803	
Material expenses	-17'460		-18'740	
Personnel expenses	-21'621		-21'308	
Other operating expenses	-8'983		-8'992	
EBITDA	**12'283**	**20.8**	**13'417**	**21.9**
Depreciation and amortization	-5'868		-5'928	
EBIT	**6'415**	**10.9**	**7'489**	**12.2**
Financial income	159		483	
Financial expenses	-153		-162	
Financial result	**6**		**321**	
Result from associated companies	**0**		**0**	
Net income before taxes	**6'421**	**10.9**	**7'810**	**12.7**
Income taxes	-1'203		-1'507	
Net income	**5'218**	**8.9**	**6'303**	**10.3**
Basic earnings per share in CHF	**4.23**		**5.11**	
Diluted earnings per share in CHF	**4.23**		**5.11**	
Weighted average number of shares	**1'233'347**		**1'233'584**	

Consolidated Balance Sheets

CHF thousand and % (unaudited)

Notes, No 2

	31.03.2006	%	30.09.2006	%
Intangible assets	484		367	
Property, plant and equipment	189'701		193'109	
Investments in associated companies	902		902	
Financial assets	21'412		21'412	
Non-current assets	**212'499**	**65.6**	**215'790**	**67.5**
Inventories	47'816		48'882	
Trade receivables	26'045		23'229	
Other receivables	5'823		4'299	
Cash and cash equivalents	31'548		27'624	
Current assets	**111'232**	**34.4**	**104'034**	**32.5**
Assets	**323'731**	**100.0**	**319'824**	**100.0**
Share capital	6'363		6'363	
Share premium	60'030		60'082	
Own shares	-7'723		-7'895	
Retained earnings	198'875		195'404	
Shareholders' equity	**257'545**	**79.6**	**253'954**	**79.4**
Deferred tax liabilities	43'441		43'184	
Non-current liabilities	**43'441**	**13.4**	**43'184**	**13.5**
Trade payables	7'592		7'644	
Income tax liabilities	4'380		5'635	
Other current liabilities	10'773		9'407	
Current liabilities	**22'745**	**7.0**	**22'686**	**7.1**
Liabilities	**66'186**	**20.4**	**65'870**	**20.6**
Shareholders' equity and liabilities	**323'731**	**100.0**	**319'824**	**100.0**

Consolidated Cash Flow Statements

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

	2005	2006
Net income before taxes	6'421	7'810
Financial result	-6	-321
Depreciation of property, plant and equipment	5'716	5'811
Amortization of intangible assets	152	117
Result from associated companies	0	0
Other non-cash income and expenses	-21	222
Interest received	99	238
Dividends received	6	6
Interest paid	-24	-16
Income taxes paid	-333	-534
Changes in		
Trade receivables	5'481	2'816
Other receivables	176	1'524
Inventories	384	-1'066
Trade payables	-1'657	52
Other current liabilities	-3'450	-1'064
Cash flow from operating activities	**12'944**	**15'595**
Additions to		
Intangible assets	0	0
Property, plant and equipment	-3'279	-9'325
Financial assets	0	0
Disposals of		
Intangible assets	0	0
Property, plant and equipment	27	0
Financial assets	88	0
Cash flow from investing activities	**-3'164**	**-9'325**
Dividends paid	0	-9'865
Purchase of own shares	-160	-422
Disposal of own shares	390	0
Repayment loan	-6'100	0
Cash flow from financing activities	**-5'870**	**-10'287**
Currency translation effect on cash and cash equivalents	-75	93
Net change in cash and cash equivalents	**3'835**	**-3'924**
Cash and cash equivalents at the beginning of the reporting period	12'090	31'548
Cash and cash equivalents at the end of the reporting period	**15'925**	**27'624**

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 01.04.2005	**6'363**	**60'000**	**-7'915**	**0**	**185'344**	**243'792**
Changes in fair value of foreign exchange forwards				-97		-97
Net income recognized directly in equity				**-97**		**-97**
Net income					5'218	5'218
Total recognized income and expense for the period				**-97**	**5'218**	**5'121**
Changes in own shares		30	192			222
Balance 30.09.2005	**6'363**	**60'030**	**-7'723**	**-97**	**190'562**	**249'135**
Balance 01.10.2005	**6'363**	**60'030**	**-7'723**	**-97**	**190'562**	**249'135**
Changes in fair value of foreign exchange forwards				-5		-5
Net income recognized directly in equity				**-5**		**-5**
Net income					8'415	8'415
Total recognized income and expense for the period				**-5**	**8'415**	**8'410**
Changes in own shares						0
Balance 31.03.2006	**6'363**	**60'030**	**-7'723**	**-102**	**198'977**	**257'545**
Balance 01.04.2006	**6'363**	**60'030**	**-7'723**	**-102**	**198'977**	**257'545**
Changes in fair value of foreign exchange forwards				91		91
Net income recognized directly in equity				**91**		**91**
Net income					6'303	6'303
Total recognized income and expense for the period				**91**	**6'303**	**6'394**
Changes in own shares		52	-172			-120
Dividends paid					-9'865	-9'865
Balance 30.09.2006	**6'363**	**60'082**	**-7'895**	**-11**	**195'415**	**253'954**

Notes

Corporate Accounting Principles (condensed)

BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These unaudited financial statements are the consolidated interim financial statements of DOTTIKON ES HOLDING AG and its subsidiaries for the six-month period ended September 30, 2006, and are prepared on the basis of uniform accounting policies. These financial statements are prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting".

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, 2006.

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

No new estimates and assumptions were made in these consolidated interim financial statements compared to the consolidated financial statements for the year ended March 31, 2006.

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 2005/06, except for the following:

Per April 1, 2006, DOTTIKON ES Group has assessed the impact of the new Amendments to IAS 19 "Employee Benefits", IAS 21 "The Effects of Changes in Foreign Exchange Rates", IAS 39 "Financial Instruments", as well as the new Standard IFRS 6 "Exploration for and Evaluation of Mineral Resources" and the new Interpretations IFRIC 4 "Determining whether an Arrangement Contains a Lease", IFRIC 5 "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds", IFRIC 6 "Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment" and IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies". No significant impact on the Group’s equity and net income was noted.

Notes to the Consolidated Interim Financial Statements (condensed)

1 INCOME STATEMENT

Net sales increased by CHF 2.4 million to CHF 61.3 million compared to the previous period. Material expenses increased by CHF 1.3 million compared to the previous year due to higher production levels and changes in the product mix.

Since the reporting year 2006/07, foreign exchange gains and losses that are directly related to sales in foreign currencies and therefore are directly attributable to operational activities are allocated to net sales. Those foreign exchange gains and losses are directly related to procurement of material and goods in foreign currencies and are also attributable to operational activities and therefore reclassified to material expenses. The previous-year figures have also been reclassified for comparative reasons (impact on net sales CHF 0 thousand/reclassification from financial result to material expenses minus CHF 28 thousand).

Since the reporting period 2006/07 the third-party salaries are allocated to personnel expenses instead of material expenses due to a change in the booking process. The previous-year figures have also been reclassified for comparative reasons (reclassification of CHF 509 thousand from material expenses to personnel expenses).

Other operating income increased by CHF 0.4 million. This is mainly the result of higher-capitalized own production due to increasing investing activities. EBIT increased disproportionately high by 16.7% to CHF 7.5 million.

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 the changes since the annual report 2005/06 will therefore only be considered in the annual report as of March 31, 2007.

Financial income increased by CHF 0.3 million compared to the previous period. This results from higher interest income and higher income of foreign currency valuation.

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

2 BALANCE SHEET

Non-current assets increased by CHF 3.3 million compared to March 2006. Investments amounted to CHF 9.3 million, whereas depreciation for the reporting period was CHF 5.9 million.

Current assets decreased by CHF 7.2 million compared to March 2006. This mainly resulted from a decrease in cash and cash equivalents in the amount of CHF 3.9 million and a reduction in trade receivables of CHF 2.8 million and a decrease in other receivables of CHF 1.5 million.

Shareholders' equity decreased by CHF 3.6 million compared to end of March 2006 and now amounts to CHF 254.0 million. As of end of September 2006, the equity ratio is 79.4% and has only marginally changed. This shareholders' equity decrease is due to a dividend payment of CHF 9.9 million to shareholders of DOTTIKON ES HOLDING AG. Transactions with own shares resulted in a net increase in the reporting interim period.

Current liabilities decreased by CHF 0.1 million compared to March 2006. This is mainly due to a decrease in other current liabilities of CHF 1.4 million and an increase in income tax liabilities of CHF 1.3 million.

3 CASH FLOW STATEMENT

The cash flow from operating activities increased by 20.5% to CHF 15.6 million compared to the previous period. This mainly results from the higher net income before taxes of CHF 1.4 million compared to the previous period. Furthermore, there was a positive development in net working capital compared to the previous year.

In the reporting period the cash outflow for investing activities was CHF 9.3 million. Compared to the previous year investments in property, plant and equipment were CHF 6.0 million higher. In the reporting period land amounting to CHF 3.8 million was acquired.

The cash outflow from financing activities of CHF 10.3 million mainly resulted from the dividend payment to shareholders of CHF 9.9 million in August 2006. In the previous period a short-term loan to EMS-Chemie Holding AG was paid back.

Cash and cash equivalents decreased by CHF 3.9 million and amounted to CHF 27.6 million as of end of September 2006.

4 SEGMENT REPORTING/BREAKDOWN BY BUSINESS AREA

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

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

5 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated interim financial statements were approved for issue by the Board of Directors on November 23, 2006.

At its annual strategy meeting from November 23, 2006, the Board of Directors decided to further focus on hazardous reactions due to the growing demand in this area. Related to this decision, plants of products at the end of their life-cycle will be impaired in the second half-year. As a result the operating profit for the full current business year will be reduced by a special write-off of approximately CHF 4 million.

No further events have occurred between September 30, 2006, and November 23, 2006, that would require an adjustment of the Group's 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)		2005	2006	2005	2006	2005	2006	2005	2006
	Fine Chemicals	**0**	**0**	**56'228**	**59'032**	**56'228**	**59'032**	**5'409**	**6'959**
	Recycling & Waste Treatment	**6'419**	**4'933**	**2'713**	**2'308**	**9'132**	**7'241**	**1'006**	**530**
	Subtotal segments	6'419	4'933	58'941	61'340	65'360	66'273	6'415	7'489
	./. Internal net sales	-6'419	-4'933			-6'419	-4'933		
	Total	**0**	**0**	**58'941**	**61'340**	**58'941**	**61'340**	**6'415**	**7'489**

Investor Relations

Issue Annual Report 2006/07:
Beginning of June 2007

Annual General Meeting for the Business Year 2006/07:
July 6, 2007

Issue Half-Year Report 2007/08:
End of November 2007

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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.

Dottikon ES Holding AG
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