2006/07 Annual Report

Your Specialist for Hazardous Reactions.

2006/07 Annual Report

Dottikon ES Holding AG

Tradition, high technology standards, and creative performers

Following the end of our first two business years as an independent business, we confirm again that we are on the right track with our focus on performance leadership and hazardous reactions for the production of high-value intermediates and active pharmaceutical ingredients, and that going forward we will remain fully positioned on this strategic direction.

The successful implementation of this strategy is based on three key factors: the long-standing tradition of a safety culture, high technology standards, and the willingness of our creative employees to perform and go the extra mile. These three characteristics are represented in this year's annual report through the examples of nine photographs. Members of our staff who spend their spare time with the art of photography have captured high-tech elements from their working environment, and fitted the photographs into picture frames from our traditional art collection. With almost 100 years' experience in hazardous chemistry, we are engaged to a traditionally rooted safety culture that surrounds our day-to-day work. But the photographs also demonstrate that we tackle new, demanding challenges, and as a result constantly further develop our capabilities – right at the cutting edge of technology. Our nine photographers reflect the diversity of our creative employees, all of them specialists who contribute daily to the successful completion of highly complex projects through their personal effort and ability. Creative performers who live up to our safety culture daily and who implement the latest technologies in a professional way are a significant success factor of our business.

Reflecting the level of business, this year's investments have been doubled compared to the previous year. The well-directed expansion will be continued over the coming years. Despite the subsequent additional financing requirements, our high level of cash and our cash generating operations enable us to recommend a continued dividend policy of CHF 8 per registered share, same as last year.
We express our unconditional thanks to all employees for the improved results, their increased performance and the achieved customer satisfaction.

Dottikon, May 14, 2007
For the Board of Directors

Heinz Boller
Chairman of the Board of Directors

Walter Portmann, Chemical Technician, with his photo of a heat exchanger from one of our special equipment for continuous hazardous reactions. Picture size 29 × 39 cm

Content

Rémy Scheidegger, Senior Assistant to CEO, with his photo looking through the sight glass into the interior of a conversion filter bag centrifuge in our cGMP small-scale production facility for APIs. Picture size 51 × 44 cm

Dear Shareholder,

We are pleased to present DOTTIKON ES Group's Annual Report for the year from April 1, 2006 to March 31, 2007. Driven by continued improvement of the product mix in the reporting period, profitability rose again, while sales increased slightly for the first time. On the other hand, operating profit was burdened by a special write-off of CHF 4 million, while net income was accounting-related positively impacted by a lower tax rate for deferred income taxes.

Business year 2006/07

The exclusive synthesis market is following in the base drag of fundamental structural changes in the pharmaceuticals industry, which will probably continue over the coming years. By contrast, the fine chemicals market has staged a significant recovery in recent years and is showing signs of overheating.

Fine chemicals market showing signs of overheating

For traditional chemical players, growing competitive pressure due to new entrants from Asia and resource-rich regions, rising oil prices and increasing regulation made business considerably more difficult from the late 1990s to 2005. Attracted by the cash potential, accompanied by attrac-

KEY FIGURES, APRIL–MARCH

CHF million	2005/06	2006/07	Change
Net sales	133.7	136.8	2.3 %
EBITDA	29.8	31.6	6.0 %
EBITDA margin (in % of net sales)	22.3 %	23.1 %	
EBIT	18.0	15.9	-11.5 %
EBIT margin (in % of net sales)	13.5 %	11.6 %	
Net income	13.6	17.1	25.3 %
Net income margin (in % of net sales)	10.2 %	12.5 %	
Operating cash flow	33.8	29.6	-12.3 %

tive pricing and ready available capital, predominantly financial investors increasingly invested in the fine chemicals segment during that period. In tandem with the raising economic pick-up since 2003, however, strategic buyers have increasingly been taking the place of financial investors or buying them out. Since then, the number of deals, transaction volumes and pricing multiples seem to outnumber itself each time. Following a phase of portfolio restructuring and consolidation, empire-building is coming to the fore again. The economic boom has triggered a high demand for products from in the meantime oligopolized chemical manufacturers and, due to the skyrocketing base chemical prices, boosted their profits and cash flows. This in turn has further enhanced the appetite to go on a shopping tour.

Exclusive synthesis in base drag of pharmaceutical structural changes

Despite persistently respectable sales margins, pressure on the pharmaceuticals industry is increasing. Having grown by 10 percent in 2002, the global pharmaceuticals market has lost growth momentum from year to year. Annual growth was 6 to 7 percent in 2006, and is expected to weaken further to 5 to 6 percent in the current year. In 2005 and 2006, the number of new chemical entities approved by the U.S. Food and Drug Administration (FDA) reached an absolute low for the past decade with about 20 new approvals each year. This is a direct result of the sharp decline in the number of approval submissions from pharmaceuticals firms, despite the steady rise in absolute research and development expenses to around 15 to 20 percent of annual sales. Research shows that four out of ten new drug candidates fail at phase III, the final stage of clinical testing. In half of these cases, efficacy could not be proven at this stage. Such proof, however, is the subject of the preceding phase II. The other candidates failed due to safety issues or a lack of differentiation to existing drugs on the market. To an exceptional degree, the year 2006 was characterized by spectacular failures in phase III. These involved several active ingredients which had been considered as being potential blockbusters – i.e. drugs with annual sales of over USD 1 billion. The number of pharma blockbusters on the market has nevertheless risen steadily in recent years, at an average of 14 percent per year. Another increase to a total of around 110 individual products is forecast for 2007. Many of the blockbusters experience peak sales as late as two to three years prior to patent expiration. Generics producers try to attack with more and more aggressive strategies to win a high share of sales at an earlier stage – often even before patent expiry. In a couple of months, due to competition from generics with up to 80 percent lower prices, market share can collapse by as much as two thirds. The loss of sales due to expiring patents amounted to around USD 20 billion in 2006, and for 2007 a figure of around USD 15 billion is projected. In total, over 30 big drugs will lose patent protection by 2010. On that basis, the assumption is that by 2015 around USD 150 billion in sales will be at stake to generic competition. In addition, the use of generics is also promoted by government health care systems in order to counter the dramatic rise in health care costs as a result of an increasingly ageing population, despite the fact that drugs account only for around 10 percent of the total health care spending.

To address the growing pressure from generics, the pharmaceuticals companies are responding with cooperative as well as competitive strategies. Following the previous diversification into fine chemicals and later life sciences, the emphasis is now on concentration in the health care sector. As a result, non-core activities are being divested. The focus is on the core pharmaceutical processes: research and development, patenting and marketing and sales. The target is to improve selectivity, productivity and efficiency in the development of new drug candidates, which have been either developed in-house or bought-in, and to bring these active ingredients as quickly as possible and at low cost via a successful approval process to the market. The focus is on innovations with genuine value added and a switch from "push" to "pull" marketing. An analysis of pharma pipelines shows that on average five new active ingredients are needed in order to offset the slump in sales for each product whose patent protection expires. This calls for additional chemical process development capacity to secure subsequent high-volume production in cutting-edge, technically sophisticated multi-purpose plants and well-trained, experienced and reliable employees to operate them and switch rapidly from the production of one active ingredient to another. Key is the know-how to run the plants efficiently, rather than to own them. Mediocre plant capacity can still be obtained amply and cheaply on the market. However, employees willing to perform, know-how, technical and organizational fine-tuning to operate multi-purpose plants successfully are short in supply and will remain so in the future. With this background, there is evidence of an increasing demand for high-quality, sophisticated exclusive synthesis, and signs for an imminent change from a buyer's to a seller's market are present.

Base building for demand for performance leadership with hazardous reactions

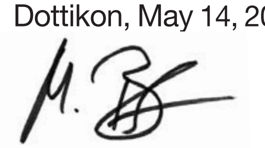
In the past business year, DOTTIKON ES continued to improve its positioning as performance leader and specialist for hazardous reactions. The basis for a growing demand has been laid.
Hazardous reactions are chemical processes that contain at least one of the following four criteria: highly exothermic processes (e.g. nitrations, hydrogenations), thermally or mechanically instable compounds or mixtures (e.g. nitrate esters, azides), highly reactive compounds (e.g. hydrides, dimethyl sulphate) and high-potent compounds (e.g. highly active pharmaceutical ingredients, HAPI). As specialist for hazardous reactions, we conduct this type of reactions on production scale in a safe and environmentally friendly, sustainable manner. Performance leadership is achieved through interdisciplinary cooperation between self-disciplined employees with a high degree of personal responsibility and initiative, i.e. a strong willingness to perform, as well as high ability, constantly improved by training, and social skills. Regular performance assessments and systematic selection processes are further important elements.

Due to the rising demand, we continued to intensify our concentration on hazardous reactions along the past business year. In this context, the decision was taken to absorb a special write-off of CHF 4 million, in order to close down facilities of expiring product lines in the future and to free up additional capacity for our strategy of performance leadership with hazardous reactions. The pipeline was strengthened by new, more complex projects, more than 80 percent of which are based on our core technologies and hazardous reactions. At the same time, we expanded our project development capacity by around 25 percent. This has now come on line. An increase in capacity of a further 25 percent was initialized, and will be in place by the summer of this year. The hydrogenation laboratory was strengthened by a high-pressure parallel screening system, while our production equipment was enhanced by the addition of product-specific modules (e.g. continuous and low-temperature reactors) for our flexible modular approach. This approach involves using customized modules to set up small- to pilot-scale production trains for fit-for-purpose manufacturing while the process undergoes further development for bulk production. We also started work on investment projects geared to qualitative improvement and quantitative expansion of multi-ton production capacities, part of which – such as our new large-volume low-temperature technology – has already come on stream. Overall investments nearly doubled compared to the previous year.

Outlook

For the business year 2007/08 we continue the strategy of positioning as specialist for hazardous reactions and our dedication to performance leadership. We build on one single production site that offers flexibility, speed, and reliability. 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 synthesis routes, improve impurity profiles of products and make new potential bioactive chemical structures commercially available for future active pharmaceutical ingredients.
In the current business year 2007/08 we will intensify our investments again. Provided there aren't any unforeseen events, we expect an increase in net sales in comparison to the previous year, while further improving our product mix.

Dottikon, May 14, 2007



Dr Markus Blocher
Chief Executive Officer

Tilo Brabetz, Chemical Technician, with his photo of the high-pressure parallel screening system in our Research & Development laboratory for hydrogenations.
Picture size 49 × 69 cm

Financial Report DOTTIKON ES Group

Consolidated Income Statements

April–March
CHF thousand and %

	Notes	2005/06	%	2006/07	%
Net sales	(1, 2, 3)	**133'710**	**100.0**	**136'828**	**100.0**
Changes in semi-finished and finished goods		-9'097		-5'669	
Other operating income	(4)	3'033		3'343	
Material expenses	(1)	-36'620		-41'340	
Personnel expenses	(1, 5, 14)	-44'023		-43'886	
Other operating expenses	(6)	-17'192		-17'690	
EBITDA		**29'811**	**22.3**	**31'586**	**23.1**
Depreciation and amortization	(2, 10, 11)	-11'806		-15'646	
EBIT	(2)	**18'005**	**13.5**	**15'940**	**11.6**
Financial income		467		907	
Financial expenses		-336		-385	
Financial result	(1, 7)	**131**		**522**	
Result from associated companies	(12)	**54**		**126**	
Net income before taxes		**18'190**	**13.6**	**16'588**	**12.1**
Income taxes	(8)	-4'557		493	
Net income		**13'633**	**10.2**	**17'081**	**12.5**
Basic earnings per share in CHF	(9)	**11.05**		**13.84**	
Diluted earnings per share in CHF	(9)	**11.05**		**13.84**	

Consolidated Balance Sheets

CHF thousand and %

	Notes	31.03.2006	%	31.03.2007	%
Intangible assets	(10)	484		265	
Property, plant and equipment	(11)	189'701		189'746	
Investments in associated companies	(12)	902		1'028	
Financial assets	(13, 14, 20)	21'412		21'490	
Non-current assets		**212'499**	**65.6**	**212'529**	**64.0**
Inventories	(15)	47'816		45'690	
Trade receivables	(16, 20)	26'045		33'765	
Other receivables	(17, 20)	5'823		4'502	
Cash and cash equivalents	(20)	31'548		35'568	
Current assets		**111'232**	**34.4**	**119'525**	**36.0**
Assets	(2, 3)	**323'731**	**100.0**	**332'054**	**100.0**
Share capital		6'363		6'363	
Share premium		60'030		60'214	
Own shares		-7'723		-7'523	
Retained earnings		198'875		206'130	
Shareholders' equity		**257'545**	**79.6**	**265'184**	**79.9**
Deferred tax liabilities	(18)	43'441		38'722	
Non-current liabilities		**43'441**	**13.4**	**38'722**	**11.6**
Trade payables	(20)	7'592		9'018	
Income tax liabilities		4'380		7'452	
Other current liabilities	(19, 20)	10'773		11'678	
Current liabilities		**22'745**	**7.0**	**28'148**	**8.5**
Liabilities	(2)	**66'186**	**20.4**	**66'870**	**20.1**
Shareholders' equity and liabilities		**323'731**	**100.0**	**332'054**	**100.0**

Consolidated Cash Flow Statements

April–March
CHF thousand

[A] Cash and bank accounts:
CHF 35'568 thousand (previous year: CHF 31'548 thousand)

	Notes	2005/06	2006/07
Net income before taxes		18'190	16'588
Financial result	(7)	-131	-522
Depreciation of property, plant and equipment	(2, 11)	11'515	15'427
Amortization of intangible assets	(2, 10)	291	219
Result from associated companies	(12)	-54	-126
Other non-cash income and expenses	(21)	181	337
Interest received	(7)	199	535
Dividends received	(7)	6	6
Interest paid	(7)	-44	-33
Income taxes paid		-2'135	-1'169
Changes in			
Trade receivables		1'680	-7'720
Other receivables		-1'163	1'321
Inventories		7'693	2'126
Trade payables		-806	1'426
Other current liabilities		-1'635	1'200
Cash flow from operating activities		**33'787**	**29'615**
Additions to			
Intangible assets	(2, 10)	-129	0
Property, plant and equipment	(2, 11)	-8'105	-15'836
Financial assets		0	0
Investments in associated companies	(12)	-848	0
Disposals of			
Intangible assets		0	0
Property, plant and equipment	(11)	66	0
Financial assets		587	0
Cash flow from investing activities		**-8'429**	**-15'836**
Dividends paid		0	-9'865
Purchase of own shares		-160	-422
Disposal of own shares		390	514
Repayment loan		-6'100	0
Cash flow from financing activities		**-5'870**	**-9'773**
Currency translation effect on cash and cash equivalents	(7)	-30	14
Net change in cash and cash equivalents		**19'458**	**4'020**
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[A]	(20)	**31'548**	**35'568**

Consolidated Statement of Changes in Equity

CHF thousand

[A] Unaudited
[B] Refer to the notes to the financial statements of DOTTIKON ES HOLDING AG, page 54/55, regarding share capital and own shares

	Share capital[B]	Share premium	Own shares[B]	Changes in fair value of foreign exchange forwards (including tax impact)	Other retained earnings	Shareholders' equity
Balance 01.04.2005[A]	**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**
Balance 01.04.2006	**6'363**	**60'030**	**-7'723**	**-102**	**198'977**	**257'545**
Realized result of foreign exchange forwards				102		102
Changes in fair value of foreign exchange forwards				-63		-63
Net income recognized directly in equity				**39**		**39**
Net income					17'081	17'081
Total recognized income and expense for the period				**39**	**17'081**	**17'120**
Dividends paid					-9'865	-9'865
Changes in own shares		184	200			384
Balance 31.03.2007	**6'363**	**60'214**	**-7'523**	**-63**	**206'193**	**265'184**

Dr Martin Fuss, Head of Quality Control, with his picture of our cGMP spherical dryer (Kugel dryer) for APIs. Picture size 50 × 57 cm

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.

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 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, incorporating 100 percent 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.

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

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: primary 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 the operating 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 a 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 asset 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 and impairments. 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

Where components of larger assets have different useful lives, they are depreciated separately. Useful lives and residual values are reviewed annually at the balance sheet date and any adjustments recognized in the income statement. 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
The recoverability of non-current assets is tested as soon as events or a change in circumstances indicate that the carrying amount may exceed the recoverable amount. An impairment loss is recognized for the excess of the carrying amount of the asset over the recoverable amount. This results in the asset being recognized at the higher amount of fair value less costs to sell and value in use. If cash flows can not be directly allocated to individual assets, the impairment is determined on a higher level, which is the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets.

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 & 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 employers' 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 annually by an independent pension expert 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 the company,

projected rates of remuneration growth and pension adjustments. It represents the present value of expected future cash flows. Plan assets are recognized at fair value. The current service cost, which is calculated in accordance with IAS 19 "Employee Benefits", is recognized within personnel expenses in the income statement. The Group decided for the time being not to adopt the accounting option to recognize all actuarial gains and losses directly in equity.

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 are 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
With effect from April 1, 2006, DOTTIKON ES Group initially applied the following new or revised standards issued by the IASB: Amendment to IAS 19 "Employee Benefits", Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates", Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" as well as IFRS 6 "Exploration for and Evaluation of Mineral Resources". In addition, 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" were initially applied with effect from April 1, 2006. Those revised and new standards and interpretations did not have a significant impact on equity, result and cash flow of the Group. The introduction of IAS 19 (revised) resulted in additional disclosures on pension plans; the Group decided for the time being not to adopt the accounting option to recognize all actuarial gains and losses directly in equity.

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. 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, the estimates of remuneration growth and retirement income adjustments. 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
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
IFRS 8 – Operating Segments	C	January 1, 2009	Business year 2009/10
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
IFRIC 10 – Interim Reporting and Impairment	A	November 1, 2006	Business year 2007/08
IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions	A	March 1, 2007	Business year 2007/08
IFRIC 12 – Service Concession Arrangements	A	January 1, 2008	Business year 2008/09
Revised IAS 23 – Borrowing Costs	A	January 1, 2009	Business year 2009/10

[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
[C] The effects on the consolidated financial statements of DOTTIKON ES Group cannot yet be determined with sufficient certainty

Notes to the Consolidated Financial Statements

1 RECLASSIFICATION OF MAIN ACCOUNT GROUPS IN THE INCOME STATEMENT

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 (reclassification foreign currency gains and losses related to product sales from financial result to net sales plus CHF 85 thousand/reclassification foreign currency gains and losses related to material procurement from financial result to material expenses minus CHF 95 thousand). Since the reporting period 2006/07 the third-party salaries are allocated to personnel expenses instead of material expenses due to a redefinition which led to a change in the booking process. The previous-year figures have also been reclassified for comparative reasons (reclassification of CHF 1'211 thousand third-party salaries from material expenses to personnel expenses).

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 exclusive synthesis of fine chemicals for the pharmaceu-

CHF thousand/ April–March	Net sales with other segments 2005/06	Net sales with other segments 2006/07	Net sales with third parties 2005/06	Net sales with third parties 2006/07	Nets sales total 2005/06	Nets sales total 2006/07	EBIT 2005/06	EBIT 2006/07
Fine Chemicals	**0**	**0**	**128'738**	**131'804**	**128'738**	**131'804**	**16'107**	**14'709**
Recycling & Waste Treatment	**12'598**	**9'060**	**4'972**	**5'024**	**17'570**	**14'084**	**1'898**	**1'231**
Subtotal segments	12'598	9'060	133'710	136'828	146'308	145'888	18'005	15'940
./. Internal net sales	-12'598	-9'060			-12'598	-9'060		
Total	**0**	**0**	**133'710**	**136'828**	**133'710**	**136'828**	**18'005**	**15'940**

CHF thousand	Assets[A, B] 2005/06	Assets[A, B] 2006/07	Liabilities[A, B] 2005/06	Liabilities[A, B] 2006/07	Capital expenditure[C, D] 2005/06	Capital expenditure[C, D] 2006/07	Depreciation/ amortization[D] 2005/06	Depreciation/ amortization[D] 2006/07[E]
Fine Chemicals	**239'555**	**245'951**	**17'682**	**19'936**	**8'113**	**15'773**	**9'936**	**13'657**
Recycling & Waste Treatment	**30'314**	**28'017**	**683**	**760**	**121**	**63**	**1'870**	**1'989**
Subtotal segments	269'869	273'968	18'365	20'696	8'234	15'836	11'806	15'646
Not allocated	53'862	58'086	47'821	46'174				
Total	**323'731**	**332'054**	**66'186**	**66'870**	**8'234**	**15'836**	**11'806**	**15'646**

[A] Segment assets and liabilities excluding financial and income tax positions
[B] Per 31.03.
[C] Capital expenditure reflects cost of acquired property, plant and equipment and intangible assets
[D] During the period April to March
[E] The reporting period 2006/07 includes an impairment loss of CHF 4'006 thousand. The business segment Fine Chemicals has been charged with CHF 3'873 thousand and the business segment Recycling & Waste Treatment with CHF 133 thousand (notes 11)

tical 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-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[A]	
CHF thousand/April–March	2005/06	2006/07
Europe and others	73'331	69'628
Switzerland	36'466	36'685
America	18'392	24'688
Asia	5'521	5'827
Total	**133'710**	**136'828**

[A] Production site in Switzerland

	Assets [A,B]		Capital expenditure[A,C]	
CHF thousand	2005/06	2006/07	2005/06	2006/07
Europe and others	0	0	0	0
Switzerland	323'731	332'054	8'234	15'836
America	0	0	0	0
Asia	0	0	0	0
Total	**323'731**	**332'054**	**8'234**	**15'836**

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

4 OTHER OPERATING INCOME

CHF thousand/April–March	2005/06	2006/07
Capitalized own production	1'887	2'279
Various other operating income	1'146	1'064
Other operating income	**3'033**	**3'343**

5 PERSONNEL EXPENSES

CHF thousand/April–March	2005/06	2006/07
Wages and salaries[A]	37'545	37'676
Employee benefits	2'613	2'533
Social security	3'401	3'205
Other personnel expenses	464	472
Personnel expenses	**44'023**	**43'886**

[A] Reclassification of third-party salaries in the previous year of CHF 1'211 thousand from material expenses to personnel expenses (notes 1)

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 1'082 such shares (previous year: 1'470 shares) were issued and are recognized within personnel expenses at their fair value of CHF 320 thousand (previous year: CHF 345 thousand).

6 OTHER OPERATING EXPENSES

CHF thousand/April–March	2005/06	2006/07
Rent	166	180
Repair and maintenance	7'210	7'352
Insurance, duties and fees	1'466	1'505
Administration and promotion[A]	2'066	2'359
Loss on disposal of non-current assets	250	364
Various other operating expenses[A]	6'034	5'930
Other operating expenses	**17'192**	**17'690**

[A] Reclassification in the previous year of CHF 109 thousand from various other operating expenses to administration and promotion

7 FINANCIAL RESULT

Financial income includes the following:

CHF thousand/April–March	2005/06[A]	2006/07
Interest income	199	535
Income from foreign currency valuation	262	366
Gain on securities	6	6
Financial income	**467**	**907**

[A] Reclassification of CHF 1'415 thousand foreign currency gain on trade receivables to net sales and CHF 104 thousand foreign currency gain on trade payables to material expenses (notes 1)

Financial expenses include the following:

CHF thousand/April–March	2005/06[A]	2006/07
Bank charges, interest expenses	44	33
Expenses from foreign currency valuation	292	352
Financial expenses	**336**	**385**

[A] Reclassification of CHF 1'330 thousand foreign currency loss on trade receivables to net sales and CHF 199 thousand foreign currency loss on trade payables to material expenses (notes 1)

8 INCOME TAXES

Income taxes can be analyzed as follows:

CHF thousand/April–March	2005/06	2006/07
Net income before taxes	18'190	16'588
Expected income tax at tax rate of 17.3 % (previous year: 19.4 %)[A]	3'529	2'870
Debit/credit adjustments recognized for previous period, net	-3	0
Effect of deferred tax rate adjustment[B]	1'036	-3'357
Other effects	-5	-6
Recognized income tax expenses	**4'557**	**-493**

[A] Effect of group-internal transactions
[B] As from January 1, 2009, lower tax rate due to changes in the tax law at the domicile in the reporting period 2006/07, adjustment according to IAS 12 "Income Taxes"

CHF thousand/April–March	2005/06	2006/07
Attributable to the following positions:		
Current tax	4'957	4'226
Deferred tax	-400	-4'719
Recognized income tax expenses	**4'557**	**-493**

In the reporting year minus CHF 11 thousand (previous year: CHF 22 thousand) current income tax and CHF 0 (previous year: CHF 0) deferred income tax have been recognized in equity relating to items booked directly into equity. There are no unrecognized tax loss carry-forwards.

9 EARNINGS PER SHARE

Earnings per share amounts to CHF 13.84 (previous year: CHF 11.05) 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 2006/07 the amount of these shares was 1'233'783 (previous year: 1'233'511). Diluted earnings per share also amounted to CHF 13.84 (previous year: CHF 11.05), as there are no potential ordinary shares that have a dilutive effect.

10 DEVELOPMENT OF INTANGIBLE ASSETS

CHF thousand		Software	Total
	Cost		
	Balance 01.04.2005[A]	**3'225**	**3'225**
	Additions	129	129
	Disposals	0	0
	Reclassifications	19	19
	Balance 31.03.2006	**3'373**	**3'373**
	Balance 01.04.2006	**3'373**	**3'373**
	Additions	0	0
	Disposals	-248	-248
	Reclassifications	0	0
	Balance 31.03.2007	**3'125**	**3'125**
	Amortization, accumulated		
	Balance 01.04.2005[A]	**-2'598**	**-2'598**
	Additions	-291	-291
	Disposals	0	0
	Reclassifications	0	0
	Balance 31.03.2006	**-2'889**	**-2'889**
	Balance 01.04.2006	**-2'889**	**-2'889**
	Additions	-219	-219
	Disposals	248	248
	Reclassifications	0	0
	Balance 31.03.2007	**-2'860**	**-2'860**
	Carrying amounts		
	01.04.2005[A]	**627**	**627**
	31.03.2006	**484**	**484**
	31.03.2007	**265**	**265**

[A] Unaudited

No development costs were capitalized in the reporting and the previous period. The research and development expenses of CHF 6'824 thousand (previous year: CHF 6'068 thousand) were charged to the income statement. There was no impairment on intangible assets in the reporting and the previous period. As in the previous year, there were no capital commitments for intangible assets. No interests were capitalized 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	Plants under construction	Total
	Cost						
	Balance 01.04.2005[A]	**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**
	Balance 01.04.2006	**8'883**	**113'446**	**239'074**	**12'534**	**8'097**	**382'034**
	Additions	3'815	177	2'266	98	9'480	15'836
	Disposals	0	-452	-1'342	-441	0	-2'235
	Reclassifications	-14	692	3'105	241	-4'024	0
	Balance 31.03.2007	**12'684**	**113'863**	**243'103**	**12'432**	**13'553**	**395'635**
	Depreciation, accumulated						
	Balance 01.04.2005[A]	**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**
	Balance 01.04.2006	**0**	**-49'654**	**-132'985**	**-9'694**	**0**	**-192'333**
	Additions	0	-2'237	-8'634	-550	0	-11'421
	Disposals	0	418	1'022	431	0	1'871
	Reclassifications	0	0	0	0	0	0
	Impairments	0	-1'582	-2'424	0	0	-4'006
	Balance 31.03.2007	**0**	**-53'055**	**-143'021**	**-9'813**	**0**	**-205'889**
	Carrying amounts						
	01.04.2005[A]	**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**
	31.03.2007	**12'684**	**60'808**	**100'082**	**2'619**	**13'553**	**189'746**

[A] Unaudited

The insurance value of property, plant and equipment amounts to CHF 431'109 thousand (previous year: CHF 476'377 thousand). Capital commitments for property, plant and equipment amount to CHF 2'831 thousand (previous year: CHF 0). No interests were capitalized in the reporting and the previous period.

In the reporting year 2006/07 depreciation includes an impairment of operating property, plant and equipment in the amount of CHF 4'006 thousand. An impairment was recognized on production plants for discontinued product lines. At its annual strategy meeting the Board of Directors decided to further focus on hazardous reactions. The impairment amounts to CHF 3'873 thousand in the business segment Fine Chemicals and CHF 133 thousand in the business segment Recycling & Waste Treatment.

The recoverable amount of the plants results from a value in use calculation, which is based on projected cash flows derived from a three-year plan approved by the Board of Directors. The calculation of future cash flows includes historical developments and expectations regarding future market development. The value in use calculation does not include a growth rate as the product line is discontinued. The applied pre-tax discount rate is 10 percent. It represents current market estimates of the interest effect and the special risks of the assets and the geographical region.

The Board of Directors and members of the Senior Management consider the underlying forecasts and assumptions to the impairment test as reasonable.

12 INVESTMENTS IN ASSOCIATED COMPANIES

On December 7, 2005, DOTTIKON ES HOLDING AG acquired an interest of 33.9 percent 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 amounts to CHF 126 thousand (previous year: CHF 54 thousand since acquisition).

Associated companies:

CHF thousand/31.03.	2005/06	2006/07
Balance sheet[A]		
Assets	3'963	4'455
Liabilities	1'350	1'469
Shareholders' equity	**2'613**	**2'986**

[A] Amounts at 100 %

CHF thousand/April–March	2005/06	2006/07
Income statement[A]		
Income	4'560	5'192
Expenses	-4'545	-4'820
Result	**15**	**372**

[A] Amounts at 100 %

13 FINANCIAL ASSETS

CHF thousand/31.03.	2005/06	2006/07
Surplus of pension assets	21'412	21'490
Financial assets	**21'412**	**21'490**

Financial assets include a surplus of pension assets in the amount of CHF 21'490 thousand (previous year: CHF 21'412 thousand). The details regarding the pension plan are presented in notes 14, employee benefits.

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 employers' contributions. The future obligations and the respective assets of the plans that are classified as defined benefit plans according to IFRS are reviewed and recalculated regularly by an independent pension expert. The last review was as per March 31, 2007. The valuation of the pension plans are based on the balance sheet dates as per December 31. Changes between the valuation date and the end of the reporting year are followed and extrapolated.

The pension situation of the Group is as follows:

Development defined benefit obligations and plan assets:

CHF thousand/31.03.	2005/06	2006/07
Present value of defined benefit obligations 01.04.	-120'227	-142'047
Current service cost	-5'010	-5'172
Interest cost	-3'510	-4'417
Curtailments and settlements	1'216	0
Past service cost	5'557	0
Benefits paid	4'600	6'147
Actuarial gains (losses) on obligations	-24'673	4'918
Present value of defined benefit obligations 31.03.	**-142'047**	**-140'571**

CHF thousand/31.03.	2005/06	2006/07
Fair values of plan assets 01.04.	142'100	165'263
Expected return on plan assets	7'312	8'263
Employer contributions	2'549	2'611
Employees contributions	1'921	1'984
Benefits paid	-4'600	-6'147
Actuarial gains (losses) on plan assets	15'981	-3'985
Fair values of plan assets 31.03.	**165'263**	**167'989**

The balance sheet shows the following:

CHF thousand/31.03.	2005/06	2006/07
Fair values of plan assets	165'263	167'989
Present value of defined benefit obligations	-142'047	-140'571
Surplus of pension assets (liabilities)	**23'216**	**27'418**
Adjustments for article IAS 19.58	-1'804	-5'850
Unrecognized actuarial (gains) losses	0	-78
Pension asset in the balance sheet of the Group (notes 13)	**21'412**	**21'490**

The income statement shows the following:

CHF thousand/April–March	2005/06	2006/07
Current service cost	-5'010	-5'172
Interest cost	-3'510	-4'417
Expected return on plan assets[A]	7'312	8'263
Amortization of actuarial gains (losses)	-10'130	855
Adjustments for article IAS 19.58	31	-4'046
Past service cost	5'557	0
Gains (losses) from curtailments and settlements	1'216	0
Net pension cost in period	**-4'534**	**-4'517**
Employees contributions	1'921	1'984
Net defined benefit expenses	**-2'613**	**-2'533**

[A] The effective realized return on assets in the reporting year is about 2.6% (previous year: about 15.2%)

Changes in the balance sheet of the Group:

CHF thousand/31.03	2005/06	2006/07
Pension assets in the balance sheet of the Group 01.04.	21'476	21'412
Net defined benefit expenses	-2'613	-2'533
Employer contributions[A]	2'549	2'611
Pension assets in the balance sheet of the Group 31.03.	**21'412**	**21'490**

[A] The expected outflow of funds for employer contributions in 2007/08 will be about CHF 2'700 thousand

Actuarial assumptions:

	2005/06	2006/07
Discount rate	3.0%	3.0%
Expected return on plan assets	5.0%	3.7%
Expected salary increase rates	2.0%	2.0%
Expected pension increase rates	1.5%	1.5%
Actuarial bases	EVK 2000	EVK 2000
Average age of retirement	65/64	65/64
Average expectation of life for a retired person at retirement age		
Female	21.15	21.15
Male	17.56	17.56

Asset allocation:

31.12.[A]	2005/06	2006/07
Cash and cash equivalents	26.7%	20.6%
Debt securities	18.5%	38.8%
Equity securities	43.7%	32.4%
Real estate	9.2%	0.0%
Others	1.9%	8.2%
Total	100.0%	100.0%

[A] Effective date for the asset allocation is December 31

The expected return on plan assets is determined based on the strategic allocation to investment categories and is reviewed regularly.

There are no own shares, no property used by DOTTIKON ES Group and no other assets used by DOTTIKON ES Group included in the plan assets.

Defined benefit plans:

CHF thousand/31.03.	2005/06	2006/07
Fair values of plan assets	165'263	167'989
Present value of defined benefit obligations	-142'047	-140'571
Surplus of pension assets (liabilities)	**23'216**	**27'418**
Experience adjustments on plan liabilities/gains (losses)	-18'127	4'918
Adjustments on plan liabilities arising from changes in actuarial assumptions/gains (losses)	-6'546	0
Experience adjustments on plan assets/gains (losses)	15'981	-3'985

15 INVENTORIES

CHF thousand/31.03.	2005/06	2006/07
Raw materials	5'597	9'515
Supplies	3'231	2'903
Trading goods	215	168
Semi-finished goods	18'324	16'352
Finished goods	20'449	16'752
Inventories	**47'816**	**45'690**

Allowances deducted from inventory balances amount to CHF 1'641 thousand (previous year: CHF 625 thousand).

16 TRADE RECEIVABLES

CHF thousand/31.03.	2005/06	2006/07
Trade receivables, gross	26'082	33'802
Value adjustments	-37	-37
Trade receivables, net	**26'045**	**33'765**

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.	2005/06	2006/07
Other receivables	3'218	3'964
Prepaid expenses and accrued income	1'297	538
Loans to employees[A]	1'308	0
Other receivables	**5'823**	**4'502**

[A] The repayment of loans to employees was planned in 2006/07. Therefore, these loans were reclassified from financial assets to other receivables last year. In the reporting period 2006/07 the loans of CHF 1'308 thousand have been fully paid back as planned

18 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following items:

CHF thousand/31.03.	2005/06	2006/07
Property, plant and equipment	30'268	26'712
Inventories	4'252	3'692
Provisions	3'624	3'293
Surplus of pension assets	4'760	4'341
Other balance sheet positions	537	684
Deferred tax liabilities	**43'441**	**38'722**

19 OTHER LIABILITIES

CHF thousand/31.03.	2005/06	2006/07
Other current liabilities	697	558
Current liabilities due to pension plan	482	391
Prepayments from clients	2'639	2'982
Accrued expenses and deferred income	6'955	7'747
Other liabilities	**10'773**	**11'678**

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.	2005/06	2006/07
Fair value	24'654	28'021
Negative replacement value[A]	-212	-251
Positive replacement value[B]	0	169
Contract value	**24'442**	**27'939**

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

Total foreign exchange forwards in currencies:

CHF thousand/31.03.	2005/06	2006/07
USD	18'591	18'800
EUR	5'851	9'139
Total	**24'442**	**27'939**

Total foreign exchange forwards to hedge cash flows:

CHF thousand/31.03.	2005/06	2006/07
Fair value	13'364	20'572
Negative replacement value[A]	-132	-242
Positive replacement value[B]	0	161
Contract value	**13'232**	**20'491**

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

Foreign exchange risks: DOTTIKON ES Group operates globally and is therefore exposed to foreign currency risk. The risk results from changes in different currencies, mainly in Euro and US dollar. Foreign exchange forwards are adopted to hedge currency risks.

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/31.03.2006	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

CHF thousand/31.03.2007	EUR	CHF	USD	CHF	CHF	Total CHF
Financial assets					21'490	21'490
Trade receivables	5'902	9'582	5'232	6'363	17'820	33'765
Other receivables	4	6	5	6	4'490	4'502
Cash and cash equivalents	101	165	73	89	35'314	35'568
Trade payables	1'686	2'737	258	313	5'968	9'018
Other current liabilities	61	99	915	1'113	10'466	11'678

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 non-cash transactions in the reporting year and the previous year mainly result from losses of disposals of property, plant and equipment.

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 85 thousand was paid to the members of the Board of Directors (previous year: CHF 87 thousand). The members of the Board of Directors did not receive any shares.

In the reporting year the members of the Senior Management received 715 registered shares of DOTTIKON ES HOLDING AG that had a fair value of CHF 205 thousand (previous year: 879 registered shares of DOTTIKON ES HOLDING AG, fair value of CHF 207 thousand). Additionally, the members of the Senior Management received a cash compensation of CHF 1'494 thousand (previous year: CHF 1'348 thousand). The total cash compensation of the Board of Directors and the members of the Senior Management was CHF 1'847 thousand (previous year: CHF 1'731 thousand). Total compensation includes pension payments of CHF 151 thousand and CHF 117 thousand social security contributions (previous year: CHF 176 thousand pension payments and CHF 120 thousand social security contributions).The total compensation of the Board of Directors and of the members of the Senior Management is included in personnel expenses (notes 5).

Loans to employees are included in other receivables in notes 17. The same conditions have been applied to all employees. The amount outstanding to two members of the Senior Management as per March 31, 2006, was CHF 144 thousand. The loans had interest rates of 2.00 percent from April 1, 2006, until full repayment at the end of November 2006 (previous year: April 1, 2005 to September 30, 2005 of 2.25 percent and from October 1, 2005 to March 31, 2006 of 2.00 percent).

For transactions with pension plans refer to notes 14.

The overview of significant shareholders is presented on page 55, 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, 2007, guarantees of DOTTIKON ES HOLDING AG to third parties in the amount of CHF 11'000 thousand (previous year: CHF 11'000 thousand) existed for a possible bank loan to DOTTIKON EXCLUSIVE SYNTHESIS AG. No other guarantees or collaterals existed as per March 31, 2007 or March 31, 2006.

24 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for issue by the Board of Directors on May 14, 2007. They are subject to approval by the Annual General Meeting. No events have occurred between March 31, 2007 and May 14, 2007, that would require an adjustment of the Group's carrying amounts of assets and liabilities or that would need to be disclosed under this heading.

25 DIVIDENDS

The Board of Directors recommends to the Annual General Meeting of July 6, 2007, a dividend of CHF 8 per share (see proposal for the appropriation of available earnings on page 56). The total outflow of funds is expected to be CHF 9'889 thousand. The amount of shares entitled to dividends can still change until the Annual General Meeting on July 6, 2007, due to the shareholding program for employees or the acquisition and disposal of own shares. The dividend paid out in the reporting period 2006/07 for the business year 2005/06 was CHF 8 per share. The outflow of funds in 2006/07 was CHF 9'865 thousand (previous year: CHF 0 as DOTTIKON ES HOLDING AG was founded on February 16, 2005).

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

As group auditors, we have audited the consolidated financial statements presented on pages 17 to 42 (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, 2007.

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 Ltd

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

Zurich, May 14, 2007

Peter Bossert, trainee Laboratory Technician in Research & Development, with his photo looking through the sight glass into the interior of a reactor in one of our multi-ton cGMP production plants for hazardous reactions. Picture size 34 × 44 cm

Dr Alexander Ernst, Member of the Senior Management, with his picture of the grinding stone of our cGMP mill for APIs.
Picture size 36 × 44 cm

Financial Statements DOTTIKON ES HOLDING AG

Income Statements DOTTIKON ES HOLDING AG

CHF thousand [A] February 16–March 31
Holding founded on February 16, 2005
(first business year)
[B] April 1–March 31

	2005/06 [A]	2006/07 [B]
Income from investments	17'000	20'000
Financial income	2'763	3'807
Compensation from group companies	606	2'272
Other income	452	619
Income	**20'821**	**26'698**
Financial expenses	-99	-5
Compensation to group companies	-271	-291
External expenses	-1'718	-237
Income taxes	-202	-561
Expenses	**-2'290**	**-1'094**
Net income	**18'531**	**25'604**

Balance Sheets DOTTIKON ES HOLDING AG

CHF thousand [A] Holding founded on February 16, 2005
(first business year)

	Notes	31.03.2006 [A]	31.03.2007
Loans to group companies		60'000	80'000
Investments	(1)	6'100	6'100
Investments in associated companies	(1)	848	848
Own shares	(2)	7'723	7'523
Non-current assets		**74'671**	**94'471**
Current loans to group companies		5'330	5'311
Other receivables from third parties		9	12
Prepaid expenses and accrued income		200	254
Cash and cash equivalents		5'059	1'753
Current assets		**10'598**	**7'330**
Assets		**85'269**	**101'801**
Share capital		6'363	6'363
Legal reserves		7'723	8'450
Other reserves		52'277	60'216
Retained earnings			
Profit brought forward		0	0
Net income		18'531	25'604
Shareholders' equity	(3)	**84'894**	**100'633**
Non-current liabilities		**0**	**0**
Other liabilities due to group companies		63	215
Other liabilities due to third parties		222	799
Accrued expenses and deferred income		90	154
Current liabilities		**375**	**1'168**
Liabilities		**375**	**1'168**
Shareholders' equity and liabilities		**85'269**	**101'801**

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	Shareholders' 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**
Balance 01.04.2006	**6'363**	**0**	**7'723**	**52'277**	**18'531**	**84'894**
Transfer to reserves		927		7'739	-8'666	0
Dividends paid					-9'865	-9'865
Net income					25'604	25'604
Reclassifications			-200	200		0
Balance 31.03.2007	**6'363**	**927**	**7'523**	**60'216**	**25'604**	**100'633**

Renato Saxer, Head of Environmental Protection Laboratory, with his photo of measuring devices in the equipment room of our cGMP drying system for APIs.
Picture size 35 × 28 cm

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 was a longer than normal business year, running from February 16, 2005 to March 31, 2006.

1 INVESTMENTS/INVESTMENTS IN ASSOCIATED COMPANIES

As in the previous year, DOTTIKON ES HOLDING AG holds 100 percent of DOTTIKON EXCLUSIVE SYNTHESIS AG with a share capital of CHF 102 thousand and 100 percent of DOTTIKON ES MANAGEMENT AG with a share capital of CHF 100 thousand. The investments are measured at cost. As in the previous year, investments in associated companies include SYSTAG, System Technik AG with a share capital of CHF 410 thousand. The interest in the investment is 33.9 percent and is measured at cost. Information regarding purpose and domicile of listed companies are shown on page 60.

2 OWN SHARES

	Number of shares[A] in circulation	Number of[A] own shares	Value in CHF thousand of own shares[B]
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
Shareholding program for employees	1'092	-1'092	-216
Balance 31.03.2006	**1'233'676**	**38'968**	**7'723**
Purchases	-1'900	1'900	422
Disposals	1'900	-1'900	-379
Shareholding program for employees	1'251	-1'251	-243
Balance 31.03.2007	**1'234'927**	**37'717**	**7'523**

[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. By reason of the approved proposal for appropriation of available earnings at the Annual General Meeting on August 18, 2006 available earnings from 2005/06 and changes in own shares and reserves have been booked in the reporting period 2006/07.
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 percent of the registered share capital:

In % of total share capital of DOTTIKON ES HOLDING AG	31.03.2006	31.03.2007
Markus Blocher, Wilen b. Wollerau[A]	58.9	63.6
Miriam Blocher, Schaffhausen	5.1	5.1
Peter Grogg, Bubendorf, through Ingro Finanz AG, Bubendorf	5.0	5.0

[A] Thereof 50.1% (previous year: 50.1%) through EVOLMA Holding AG, Freienbach

5 CONTINGENT LIABILITIES

As per March 31, 2007 guarantees to third parties in the amount of CHF 11'000 thousand (previous year: CHF 11'000 thousand) existed for a possible bank loan. As in the previous year, no other guarantees or collaterals existed. In addition, DOTTIKON ES HOLDING AG is part of the value-added tax group (VAT) of DOTTIKON ES Group and therefore guarantees solidary for all liabilities against Swiss Federal Tax Administration in connection with the VAT.

6 EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred between March 31, 2007 and May 14, 2007, that would require an adjustment of the holding's carrying amounts of assets and liabilities or that would need to be disclosed under this heading.

Proposal of the Board of Directors for Appropriation of Available Earnings

CHF/31.03.	2006/07
Net income	25'603'765
Balance brought forward [A]	0
Available earnings	**25'603'765**

[A] After the dividend payment and the allocation of legal reserves the rest of last years' available earnings has been transferred to the other reserves

Proposal of the Board of Directors:

CHF/31.03.	2006/07
Transfer to legal reserves	346'098
Payment of ordinary dividend of CHF 8 per registered share entitled to dividends (total 1'236'180 shares) [A]	9'889'440
Transfer to other reserves	15'368'227
Balance to be carried forward	**0**

[A] As per May 14, 2007

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 July 6, 2007, due to the shareholding program for employees or the acquisition and disposal of own shares.

Dottikon, May 14, 2007
For the Board of Directors

Heinz Boller
Chairman of the Board of Directors

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

KPMG

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 47 to 56) of DOTTIKON ES HOLDING AG for the year ended March 31, 2007.

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 Ltd

Hanspeter Stocker
Swiss Certified Accountant
Auditor in Charge

Thomas Keusch
Swiss Certified Accountant

Zurich, May 14, 2007

Janine Bachmann, Manager's Assistant, with her photo of a reactor supply pipe in one of our cGMP multi-ton production plants for low-temperature reactions.
Picture size 84 × 147 cm

Corporate Governance

Corporate Governance

Board of Directors

CEO
Dr Markus Blocher

Human Resources
Jean-Claude Baumann

CFO
Marlene Born

Business Development
Dr Max Bachmann

Production
Bruno Eugster

Quality Management
Dr Knut Hildebrandt

Purchasing
Dr Alexander Ernst[A]

[A] Until February 2007 Benno Beck, from March 2007 Dr Alexander Ernst

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

As in the previous year, 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). As in the previous year, the share capital amounts to CHF 6'363'220, the market capitalization as per March 31, 2007 is CHF 357'612'964 (previous year: CHF 295'253'408). As in the previous year, there are no further listed companies in the Group.

As in the previous year, 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 percent/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 percent/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 percent/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 percent as per March 31, 2007 or March 31, 2006 are shown on page 55, notes 4. As in the previous year, there are no shareholder-binding agreements.

1.3 Cross-shareholdings

As in the previous year, 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, 2007 (previous year: CHF 6'363'220) 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

As in the previous year, there is no authorized or conditional capital.

2.3 Capital changes

Before the spin-off dated March 31, 2005, DOTTIKON EXCLUSIVE SYNTHESIS AG was a subsidiary of EMS-Chemie Holding AG. 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 percent 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 between February 2005 and March 2006 in share capital of the Group. The changes in other equity positions in the business years 2006/07 and 2005/06 are shown on page 21. The changes in other equity positions in the business year 2004/05 (pro forma) are shown on page 19 of the Annual Report 2005/06. 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.

The business year of DOTTIKON ES Group changed last year 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, 2007, 1'272'644 registered shares (previous year: 1'272'644) with a nominal value of CHF 5 were issued and fully paid-in. Each share includes one voting right, provided the shareholder with voting rights is registered in the share ledger (notes 2.6). All shares are unconditionally entitled to dividends except for the own shares held by the Group. As in the previous year, there are no participation certificates.

2.5 Profit-sharing certificates

As in the previous year, 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, addresses and shareholdings of the persons for whose accounts they hold the shares.

2.7 Convertible bonds and options

As in the previous year, 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 — As per March 31, 2007

Name	Nationality	Age	Position	Title	Term of office
Heinz Boller	Swiss	65	Chairman, non-executive	Eidg. dipl. Buchhalter	2005–2007
Peter Grogg	Swiss	65	Deputy Chairman, non-executive	Dr. h.c.	2005–2007
Robert Hofer	Swiss	67	Member, non-executive	Dipl. Ing. Chem. ETH, Dr. sc. techn. ETH	2005–2007

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, Pevion Biotech AG and of Ingro Finanz AG. He is member of the Board of Directors of Polyphor AG and Tillotts Pharma AG.

Robert Hofer
is a consultant 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.

Neither a member of the Board of Directors nor any related party had significant business relations with the DOTTIKON ES Group in the past three years.

3.2 Other activities and binding interests

See notes 3.1.

3.3 Conflicting interests

As in the previous year, there are no conflicting interests.

3.4 Election and term of office

The members of the Board of Directors are elected by the Annual General Meeting for a one-year term of office from one Annual General Meeting to the next. Members of the Board of Directors are individually elected and 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 Annual General 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, except 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. The meetings usually take half a day. The dates of these ordinary Board meetings are determined early in advance, so that all members can join personally. Four meetings took place in the reporting year 2006/07 (previous year: four meetings). As in the previous year, all members of the Board of Directors attended all meetings. The Board of Directors did not call in any external advisors in the reporting year or in the previous year.
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 Board of Directors has the following non-delegable and indefeasible duties assigned to it according to legal statutory regulations and the Organizational Regulations:

- Management of the Group and issue of required instructions
- Definition of general organization
- Definition of guidelines for the set-up of accounting, financial control and financial planning
- Decisions on operations with strategic significance
- Nomination and dismissal of persons entrusted with the management and representation of the Group
- Determination of compensation of the CEO and the members of the Senior Management
- Supervision of persons entrusted with the executive management
- Preparation of Annual Report and Annual General Meeting and execution of decisions
- Notification of judge in the case of over-indebtedness

The Board of Directors has delegated the management of daily operations to the members of the Senior Management in line with the Organizational Regulations. The competencies and the interaction between the Board of Directors and members of the Senior Management are defined in the Organizational Regulations of DOTTIKON ES Group. The Organizational Regulations can be seen locally in Dottikon.

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 information and documents in an open and timely manner. At each meeting of the Board, members of the Senior Management inform the Board of Directors about the course of business, the most important business transactions, the completion of tasks assigned to it and the Group's accounts. The Board periodically receives the numbers of the consolidated financial statements with previous-year and plan comparatives and with key figures to assess the financial situation of the Group. The Management Information System (MIS) of DOTTIKON ES Group has the following features: Every month an income statement, balance sheet, cash flow statement, statement of changes in equity and various key figures of the Group are prepared on consolidated level. Every quarter the Board receives a forecast of the expected year-end accounts and twice a year the Board receives mid-term planning results for the following three years. At the Board meetings the financial statements and the course of the business are discussed. Additionally, the Chairman of the Board regularly meets with the members of the Senior Management to discuss the course of the business, the status of projects and important events. Once a year the Board of Directors deals with the Group's strategy.

4 SENIOR MANAGEMENT

4.1 Members of the Senior Management

MEMBERS OF THE SENIOR MANAGEMENT OF DOTTIKON ES GROUP — As per March 31, 2007

Name	Nationality	Age	Function	Title	Member since
Markus Blocher	Swiss	36	CEO/Managing Director	Dipl. Chem. ETH, Dr. sc. nat. ETH	2003
Marlene Born	Swiss	31	CFO	Eidg. dipl. Expertin in Rechnungslegung/Controlling	2006
Max Bachmann	Swiss	52	Head of Business Development	Dipl. Chem. ETH, Dr. sc. nat. ETH	1999
Bruno Eugster	Swiss	51	Head of Production	Chemiker HTL	1997
Knut Hildebrandt	German	48	Head of Quality Management	Dipl. Chem., Dr. rer. nat.	1999
Alexander Ernst[A]	Swiss	39	Head of Purchasing	Dip. Chem. ETH, Dr. sc. nat. ETH, MBA	2007

[A] Until February 2007 Benno Beck

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 Chairman of the Board of Directors of EVOLMA Holding AG, Deputy Chairman of Board of Directors of SYSTAG, System Technik AG (see page 36, notes 12) and Member of the Board of Directors of BV Holding AG (until March 2007). Furthermore he is president of the foundation board of the pension plan of DOTTIKON ES Group and of the social welfare foundation of DOTTIKON EXCLUSIVE SYNTHESIS AG.

Marlene Born

joined DOTTIKON ES Group in mid-2005 as Controller. In May 2006, she took over the CFO function. Before that, she collected long-time experience as Head of Accounting of Migros Verteilzentrum Suhr AG. She is member of the foundation board of the pension plan of DOTTIKON ES Group and vice president of the social welfare foundation of DOTTIKON EXCLUSIVE SYNTHESIS 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.

Alexander Ernst

was appointed Head of Purchasing of DOTTIKON ES Group in March 2007. From 2003 to 2007, he was Head of Research

& Development and later member of the Senior Management for the business unit "Small Molecules" of Polyphor AG. Before that, he worked as a medicinal chemist and project leader for Schering AG.

4.2 Other activities and binding interests
See notes 4.1.

4.3 Management contracts
As in the previous year, 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 2006/07, a total of CHF 85 thousand (previous year: CHF 87 thousand) was paid as compensation to the three non-executive members of the Board of Directors.
In the reporting year 2006/07, a total of CHF 1'494 thousand (previous year: 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 2006/07 and the previous year 2005/06.

5.3 Compensation for former members of executive bodies
As in the previous year, no compensation was paid to former members of the Board of Directors or Senior Management in the business year 2006/07.

5.4 Share and option allocations for the reporting year
A total of 715 registered shares (previous year: 879 registered shares) with a nominal value of CHF 5 in DOTTIKON ES HOLDING AG were allocated in the reporting year 2006/07 to the six members of the Senior Management.
The three non-executive members of the Board of Directors did not receive any shares.
As in the previous year, no options were issued to members of the Board of Directors or Senior Management.

5.5 Share ownership
As per March 31, 2007, the three non-executive members of the Board of Directors and their related parties hold 64'480 registered shares (previous year: 64'580 registered shares) with a nominal value of CHF 5.
As per March 31, 2007, the six members of the Senior Management and their related parties hold 811'066 registered

shares (previous year: 751'761 registered shares) with a nominal value of CHF 5.

5.6 Options
As is the previous year, no options were held by members of the Board of Directors or Senior Management as per March 31, 2007.

5.7 Additional fees and remuneration
In the business year 2006/07 and in the previous 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 were loans to two members of the Senior Management as disclosed below:

	2005/06	2006/07
Loan in CHF thousand	144	0
Interest rate[A]	2.00–2.25 %	2.00 %
Security/collateral	Fully covered	Fully covered

[A] 01.04.2004–30.09.2005 at 2.25 %
01.10.2005–30.11.2006 at 2.00 %

All employees of DOTTIKON ES Group are subject to the same interest rate conditions.
By end of November of the reporting year 2006/07, all loans had been repaid.
As in the previous year, there are no loans to members of the Board of Directors.

5.9 Highest total compensation
In the business year 2006/07, the highest total compensation to a member of the Board of Directors amounted to CHF 35 thousand (previous year: CHF 36 thousand). This amount does not include any shares (notes 5.4).

6 SHAREHOLDER PARTICIPATION RIGHTS

6.1 Restrictions of voting rights and representation
All shareholders that are registered in the share ledger as shareholders with voting rights are allowed to attend the Annual General Meeting (notes 2.6). A registered shareholder may only be represented at the Annual 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 Annual 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 Annual General Meeting
The ordinary Annual General Meeting is convened in accordance with legal requirements and the articles of corporation of DOTTIKON ES HOLDING AG. It is convened by a single publication in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) and by written invitations sent to the addresses of the shareholders and beneficiaries entered in the share ledger. Extraordinary General Meetings 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 Annual 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 must be entered into the share ledger at the latest in order to attend the Annual General Meeting and includes this appointed date in the invitation to the shareholders. The cut-off is one week before the Annual 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

As in the previous year, DOTTIKON ES HOLDING AG has no statutory regulation to opt-up or opt-out.

7.2 Clauses on changes in control

As in the previous year, there are no clauses on changes in control.

8 AUDITORS

8.1 Duration of mandate, term of office of auditor in charge

KPMG Ltd, Zurich (change of name: anciently KPMG Fides Peat, Zurich), 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 Ltd 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 Annual 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 85 thousand (previous year: CHF 90 thousand) for services relating to the audit of the financial statements 2006/07 of the Group, DOTTIKON ES HOLDING AG and the group companies audited by KPMG Ltd.

8.3 Additional fees

As in the previous year, no additional fees were paid in the reporting year 2006/07 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 (page 63, notes 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).

Samuel Hasler, Laboratory Technician, with his photo of the reaction calorimeter in the safety laboratory of our Research & Development department. Picture size 113 × 153 cm

Investor Relations

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

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

Issue Annual Report 2007/08:
Beginning of June 2008

Annual General Meeting for the Business Year 2007/08:
July 4, 2008

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.

IMPRESSUM

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

PHOTOGRAPHY
Gian Paul Lozza, Zurich
www.lozzaphoto.com

PAPER
Amber Graphic, 200 g/m²
Arctic Paper Schweiz AG
www.arcticpaper.com

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