2007/08 Half-Year Report

Your Specialist for Hazardous Reactions.

Content

Dear Shareholder,

We are pleased to present DOTTIKON ES Group's Half-Year Report for the first six months (April 1 to September 30) of the business year 2007/08.

In the period under review, M&A activity weakened significantly in the fine chemicals market considering the background of the credit crisis. Initial signs of a slowdown in economic activity are gathering in the USA. In Asia, Chinese chemical producers have been experiencing a relative decline in their international position. This is partly the result of the quality deficiencies of Chinese products, which have been widely discussed in the global media. It is also attributable to significant price increases, which are a direct consequence of the partial abolition of VAT refunds and enforced plant closures caused by environmental issues.

The pressure exerted on the pharmaceutical industry by generics has continued to increase. In key pharmaceutical markets, judicial practice appears to be moving away from preliminary injunctions – even in the case of early infringements of patents that are still well within their expected life span. As a result, pharmaceutical companies are experiencing serious revenue losses – at least in the short term. Cost reductions are being systematically initiated, and a greater emphasis placed on outsourcing. Innovation pressure toward more specific and more effective active ingredients with new modes of action and fewer side effects is continuing to grow, and is increasingly taking the place of the highly marketing-driven pharmaceutical strategies seen in the past.

KEY FIGURES, APRIL–SEPTEMBER

		2006	2007	Changes
CHF million (unaudited)	Net sales	61.3	61.7	0.7%
	EBITDA	13.4	12.4	-7.6%
	EBITDA margin (in % of net sales)	21.9%	20.1%	
	EBIT	7.5	6.9	-7.6%
	EBIT margin (in % of net sales)	12.2%	11.2%	
	Net income	6.3	6.2	-2.1%
	Net income margin (in % of net sales)	10.3%	10.0%	
	Operating cash flow	15.6	5.6	-64.1%

These facts have triggered an increasing demand for high-quality, ambitious exclusive synthesis under time pressure, i.e. process development capacity for safe chemical processes with hazardous reactions and large-scale capacity for multi-ton production using these processes in compliance with safety and pharmaceutical quality standards.
In the reporting period, we therefore further intensified the expansion of our capacity and staff. As a result, human resources and the related expenses rose by around 8 percent. The approximately 25 percent additional project development capacities and the qualitative and quantitative extension of the first multi-purpose plant were brought on stream. Further additional large-scale capacity will follow in the second half of the business year. The focus is on strengthening the additional human resources and plant capacities at the high quality level and integrating them into our existing development and production, while continuing the further expansion.
In comparison to the same period of the previous year – having slightly increased net sales and inventory build-up due to preparatory efforts into semi-finished and finished goods for products to be delivered in the second half of the business year 2007/08 – the profitability slightly decreased as a result of a more material-intensive product mix, preparatory efforts and increased hiring.
The implementation and expansion of our strategy – performance leadership as specialist for hazardous reactions – will continue. DOTTIKON ES continues to focus on high flexibility, speed, safety and reliability. In the current business year 2007/08 investment activities will be further intensified.
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, November 22, 2007

Dr Markus Blocher
Chief Executive Officer

Financial Report

Consolidated Income Statements

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

	2006	%	2007	%
Net sales	**61'340**	**100.0**	**61'746**	**100.0**
Changes in semi-finished and finished goods	-686		8'613	
Other operating income	1'803		1'800	
Material expenses	-18'740		-28'581	
Personnel expenses	-21'308		-22'928	
Other operating expenses	-8'992		-8'259	
EBITDA	**13'417**	**21.9**	**12'391**	**20.1**
Depreciation and amortization	-5'928		-5'470	
EBIT	**7'489**	**12.2**	**6'921**	**11.2**
Financial income	483		580	
Financial expenses	-162		-238	
Financial result	**321**		**342**	
Result from associated companies	**0**		**0**	
Net income before taxes	**7'810**	**12.7**	**7'263**	**11.8**
Income taxes	-1'507		-1'090	
Net income	**6'303**	**10.3**	**6'173**	**10.0**
Basic earnings per share in CHF	**5.11**		**4.99**	
Diluted earnings per share in CHF	**5.11**		**4.99**	
Weighted average number of shares	**1'233'584**		**1'235'963**	

Consolidated Balance Sheets

CHF thousand and % (unaudited)

Notes, No 2

	31.03.2007	%	30.09.2007	%
Intangible assets	265		179	
Property, plant and equipment	189'746		189'790	
Investments in associated companies	1'028		1'028	
Financial assets	21'490		20'340	
Non-current assets	**212'529**	**64.0**	**211'337**	**64.7**
Assets held for sale	0		3'985	
Inventories	45'690		54'628	
Trade receivables	33'765		29'696	
Other receivables	4'502		4'947	
Cash and cash equivalents	35'568		22'147	
Current assets	**119'525**	**36.0**	**115'403**	**35.3**
Assets	**332'054**	**100.0**	**326'740**	**100.0**
Share capital	6'363		6'363	
Share premium	60'214		60'321	
Own shares	-7'523		-7'278	
Retained earnings	206'130		202'693	
Shareholders' equity	**265'184**	**79.9**	**262'099**	**80.2**
Deferred tax liabilities	38'722		39'108	
Non-current liabilities	**38'722**	**11.6**	**39'108**	**12.0**
Trade payables	9'018		7'960	
Income tax liabilities	7'452		5'580	
Other current liabilities	11'678		11'643	
Prepayments related to assets held for sale	0		350	
Current liabilities	**28'148**	**8.5**	**25'533**	**7.8**
Liabilities	**66'870**	**20.1**	**64'641**	**19.8**
Shareholders' equity and liabilities	**332'054**	**100.0**	**326'740**	**100.0**

Consolidated Cash Flow Statements

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

	2006	2007
Net income before taxes	7'810	7'263
Financial result	-321	-342
Depreciation of property, plant and equipment	5'811	5'384
Amortization of intangible assets	117	86
Result from associated companies	0	0
Other non-cash income and expenses	222	1'568
Interest received	238	362
Dividends received	6	6
Interest paid	-16	-16
Income taxes paid	-534	-2'657
Changes in		
Trade receivables	2'816	4'069
Other receivables	1'524	-445
Inventories	-1'066	-8'938
Trade payables	52	-1'058
Other current liabilities	-1'064	319
Cash flow from operating activities	**15'595**	**5'601**
Additions to		
Intangible assets	0	0
Property, plant and equipment	-9'325	-9'473
Financial assets	0	0
Disposals of		
Intangible assets	0	0
Property, plant and equipment	0	0
Financial assets	0	0
Prepayments related to assets held for sale	0	350
Cash flow from investing activities	**-9'325**	**-9'123**
Dividends paid	-9'865	-9'889
Purchase of own shares	-422	0
Disposal of own shares	0	0
Cash flow from financing activities	**-10'287**	**-9'889**
Currency translation effect on cash and cash equivalents	93	-10
Net change in cash and cash equivalents	**-3'924**	**-13'421**
Cash and cash equivalents at the beginning of the reporting period	31'548	35'568
Cash and cash equivalents at the end of the reporting period	**27'624**	**22'147**

Consolidated Statement of Changes in Equity

CHF thousand (unaudited)

	Share capital	Share premium	Own shares	Changes in fair value of foreign exchange forwards (including tax impact)	Other retained earnings	Shareholders' equity
Balance 01.04.2006	**6'363**	**60'030**	**-7'723**	**-102**	**198'977**	**257'545**
Realized result of foreign exchange forwards				75		75
Changes in fair value of foreign exchange forwards				16		16
Net income recognized directly in equity				**91**		**91**
Net income					6'303	6'303
Total recognized income and expense for the period				**91**	**6'303**	**6'394**
Dividends paid					-9'865	-9'865
Changes in own shares		52	-172			-120
Balance 30.09.2006	**6'363**	**60'082**	**-7'895**	**-11**	**195'415**	**253'954**
Balance 01.10.2006	**6'363**	**60'082**	**-7'895**	**-11**	**195'415**	**253'954**
Realized result of foreign exchange forwards				27		27
Changes in fair value of foreign exchange forwards				-79		-79
Net income recognized directly in equity				**-52**		**-52**
Net income					10'778	10'778
Total recognized income and expense for the period				**-52**	**10'778**	**10'726**
Changes in own shares		132	372			504
Balance 31.03.2007	**6'363**	**60'214**	**-7'523**	**-63**	**206'193**	**265'184**
Balance 01.04.2007	**6'363**	**60'214**	**-7'523**	**-63**	**206'193**	**265'184**
Realized result of foreign exchange forwards				127		127
Changes in fair value of foreign exchange forwards				152		152
Net income recognized directly in equity				**279**		**279**
Net income					6'173	6'173
Total recognized income and expense for the period				**279**	**6'173**	**6'452**
Dividends paid					-9'889	-9'889
Changes in own shares		107	245			352
Balance 30.09.2007	**6'363**	**60'321**	**-7'278**	**216**	**202'477**	**262'099**

Notes

Corporate Accounting Principles (condensed)

BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

The consolidated interim financial statements are prepared for the half year ended September 30, 2007 (reporting period), and have been prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The interim financial statements have not been audited.

These consolidated interim financial statements do not include all information available in the annual financial statements and should therefore be read in conjunction with the group financial statements for the year ended March 31, 2007.

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

No new significant estimates and assumptions were made in these consolidated interim financial statements compared to the consolidated financial statements for the year ended March 31, 2007.

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

CHANGES IN CORPORATE ACCOUNTING PRINCIPLES

The interim financial statements have been prepared in accordance with the accounting policies set out in the annual financial statements 2006/07, except for the following:

Per April 1, 2007, DOTTIKON ES Group has adopted the Amendments to IAS 1 "Presentation of Financial Statements: Capital Disclosures" as well as the new Standard IFRS 7 "Financial Instruments: Disclosures" and the new Interpretations IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", IFRIC 10 "Interim Financial Reporting and Impairment" and IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions". No significant impact on the Group's equity and net income was noted.

Notes to the Consolidated Interim Financial Statements (condensed)

1 INCOME STATEMENT

Net sales increased by CHF 0.4 million to CHF 61.7 million compared to the previous period. In connection with preparatory efforts relating to semi-finished and finished goods – for products to be delivered in the second half of the business year 2007/08 – the balance of semi-finished and finished goods increased by approximately CHF 8.6 million. Material expenses rose by CHF 9.8 million compared to the previous year due to the inventory build-up in semi-finished and finished goods as well as a result of a more material-intensive product mix.

During the reporting period, personnel expenses rose by approximately 8 percent and amounted to CHF 22.9 million as a result of an increase in staff. Other operating expenses could be reduced by 8 percent to CHF 8.3 million as a result of cost efficiencies. Depreciation and amortization were CHF 0.5 million lower than during the previous year and amounted to CHF 5.5 million.

EBIT decreased by 7.6 percent to CHF 6.9 million due to preparatory efforts and the material-intensive product mix.

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

The disproportionate lower tax expenses of CHF 0.4 million result from lower tax rates compared to the previous year.

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

2 BALANCE SHEET

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", property which is being held for sale has been reclassified from non-current assets to current assets. The reclassification amounted to CHF 4.0 million. IFRS 5 is applied when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets, its sale is highly probable and the sales should be expected to qualify for recognition as a completed sale within one year from the date of classification. DOTTIKON ES Group received a prepayment of CHF 0.4 million for the held for sale property which is included in current liabilities.

The financial assets decreased by approximately CHF 1.2 million and amount to CHF 20.3 million as of end of September 2007. The employer contributions to the pension plan have been financed by the existent employer contribution reserves since May 2007.

Current assets decreased by CHF 4.1 million compared to end of March 2007. This is due to the reduction in cash by CHF 13.4 million as well as the increase of CHF 8.9 million in inventory, primary relating to semi-finished and finished goods.

Shareholders' equity decreased by CHF 3.1 million compared to end of March 2007 and now amounts to CHF 262.1 million as of end of September 2007. The equity ratio is 80.2 percent as of end of September 2007 and has only marginally changed. This shareholders' equity decrease is due to a dividend payment of CHF 9.9 million (CHF 8 per registered share) to shareholders of DOTTIKON ES HOLDING AG. The transactions with own shares resulted in a net reduction for the acquirement of gratuity shares for employees, which DOTTIKON ES Group considers being performance drivers.

Current liabilities decreased by CHF 2.6 million compared to March 2007. This is mainly due to a reduction in trade payables of CHF 1.1 million and a decrease in income tax liabilities by CHF 1.9 million.

3 CASH FLOW STATEMENT

The cash flow from operating activities decreased by 64.1 percent compared to the previous period and amounts to CHF 5.6 million. This mainly results from the inventory build-up due to preparatory efforts into semi-finished and finished goods – for products to be delivered in the second half of the business year 2007/08 – by CHF 7.9 million compared to the previous period as well as higher income taxes paid of CHF 2.1 million in comparison to the previous year. The other non-cash income and expenses amounted to CHF 1.6 million and mainly relates to the employer contributions for the pension plan, which were financed by the existent employer contribution reserves since May 2007.

During the reporting period the cash outflow for investing activities was CHF 9.5 million. Compared to the previous period, CHF 0.1 million more was invested in property, plant and equipment. During the reporting period, a prepayment of CHF 0.4 million was received for the held for sale property (notes 2).

The cash outflow from financing activities of CHF 9.9 million resulted from the dividend payment to shareholders of DOTTIKON ES HOLDING AG, which is in line with the previous year.

Cash and cash equivalents decreased by CHF 13.4 million and amount to CHF 22.1 million as of end of September 2007.

4 SEGMENT REPORTING/BREAKDOWN BY BUSINESS AREA

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

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

5 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated interim financial statements were approved for issue by the Board of Directors on November 22, 2007.

As per March 31, 2007, guarantees of DOTTIKON ES HOLDING AG to third parties in the amount of CHF 11.0 million existed for a possible bank loan to DOTTIKON EXCLUSIVE SYNTHESIS AG. This guarantee was cancelled between the balance sheet date of September 30, 2007, and the approval of the interim financial statements by the Board of Directors on November 22, 2007.

No further events have occurred between September 30, 2007, and November 22, 2007, that would require an adjustment of the Group's assets and liabilities or would require disclosure in this note.

SEGMENT REPORTING/BREAKDOWN BY BUSINESS AREA, APRIL–SEPTEMBER

	Primary segment	Net sales with other segments		Net sales with third parties		Net sales total		EBIT	
CHF thousand (unaudited)		2006	2007	2006	2007	2006	2007	2006	2007
	Fine Chemicals	**0**	**0**	**59'032**	**58'560**	**59'032**	**58'560**	**6'959**	**6'157**
	Recycling & Waste Treatment	**4'933**	**5'792**	**2'308**	**3'186**	**7'241**	**8'978**	**530**	**764**
	Subtotal segments	4'933	5'792	61'340	61'746	66'273	67'538	7'489	6'921
	./. Internal net sales	-4'933	-5'792			-4'933	-5'792		
	Total	**0**	**0**	**61'340**	**61'746**	**61'340**	**61'746**	**7'489**	**6'921**

Investor Relations

Issue Annual Report 2007/08:
Beginning of June 2008

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

Issue Half-Year Report 2008/09:
End of November 2008

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

Dottikon ES Holding AG
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