2010/11
Half-Year Report

Your Specialist
for Hazardous
Reactions.

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Dear Shareholder,

Herewith we present to you DOTTIKON ES Group's Half-Year Report for the period from April 1 to September 30, 2010.

Back coupling of the combination of empty inventories, growing end-market demand and rising commodity prices resulted in a spectacular increase in demand for basic and industrial chemicals in the first half of the year. Key drivers were the rapid recovery and return to strong growth on Asian markets, coupled with worldwide government intervention to support economic activity. Since then, the pace of economic activity has slowed considerably – at least in the West and the USA in particular. In spite or rather because of monetary and fiscal policy with extremely low interest rates and a record liquidity supply, uncertainties about the future development and the threats to the global economy remain at a high level.

The countries with the world's leading reserve currencies – US dollar, Yen and Euro – have formed a sort of lowest-interest rates cartel for the purpose of stimulating and protecting their economies, as well as financing their steadily growing debt, and this has contributed to a currency devaluation of the US dollar and Euro compared to the Swiss franc in particular. Due to the positive effect on its export activities, China – the biggest creditor – has little interest in changing anything about this situation. The same applies to the link between the Chinese currency, the Yuan-Renminbi, and the US dollar. This is despite the fact that the linking has recently been eased slightly following Western pressure.

KEY FIGURES, APRIL–SEPTEMBER

CHF million (unaudited)

[A] Restated

	2009[A]	2010	Changes
Net sales	45.3	36.0	-20.5%
EBITDA	12.1	3.9	-67.6%
EBITDA margin (in % of net sales)	26.8%	10.9%	
EBIT	5.4	-3.3	-161.8%
EBIT margin (in % of net sales)	11.9%	-9.3%	
Net income (net loss)	4.8	-2.3	-148.0%
Net income (net loss) margin (in % of net sales)	10.6%	-6.4%	
Operating cash flow	18.0	24.1	33.8%
Employees (FTEs, six-month average)	455	425	-6.6%

With its flourishing economy, China has in recent years been skilful in expanding its strategic position to gain access to substantial commodity reserves in the southern continents. The austerity measures that are increasingly urgently required in order to stem structural deficits in the Western industrialized nations will likely attenuate the volume of Chinese exports. If China succeeds in freeing itself from this dependency by means of a growing domestic market, its economic and political influence, and therefore its ability to assert its own geopolitical interests, will continue to increase in the future. The fact that Chinese defense spending has risen by an average of around 12 percent every year since 2000 should also be seen in this context. Chinese curbs on exports of rare earth elements – in particular to Japan as a result of an incident in and around a disputed area of sea between the two nations – and efforts to lower Chinese energy consumption in order to contain rapidly rising net imports of fossil fuels show that China is aware of its strengths and weaknesses in the geopolitical power poker and preparing itself accordingly.

We do not yet know where the new balance of global economic and political power will ultimately lie, or how long it will take to get there. It becomes apparent, however, that it will be different than prior to the financial crisis, whose aftereffects are not overcome yet. The banks have been restructuring and writing off debt; however, government intervention and the quantitative easing by the central banks have resulted in much of the risk being transferred to the public realm. It is not government debt itself that constitutes the problem, but the structure of developed social systems. Given the changing age structures in society, the entitlements promised by institutions in relation to retirement provision, social services and health care will no longer be credible in future without massive adjustments and cuts. However, when mounting debt can continue to be shifted to the next generation thanks to the fact that interest rates, and therefore the costs of government institutions too, are being kept artificially low, the need to implement unpopular measures – difficult to implement in any case against a backdrop of

short-sighted realpolitik – becomes less pressing. The UK government appears to have summoned up the courage to break the debt spiral with ambitious savings targets. Hopefully, other Western governments will follow suit. The years of spending beyond our means will probably be followed by years of saving and debt reduction. This will significantly reduce prospects for economic growth, but not necessarily lead to a complete drying-up.

The rise in government debt caused by the financial and economic crisis leads several Western countries to regulate drug prices even more tightly in order to cut the health care costs. This government-imposed cost-cutting is hitting the pharmaceutical majors at a time when they themselves are in the midst of one of their biggest structural crises ever.

The major pharmaceutical companies cannot shirk responsibility for structural problems from the past that they have created themselves. For years, they have been battling decreasing productivity in their research and development departments despite spending an average of around 20 percent of their revenues on research and development. If newly approved drugs are considered, productivity has fallen by around 20 percent in the last ten years. The fact that fewer and fewer drugs are being approved is also partly due to the ever more stringent requirements of the regulatory authorities. Drugs that exhibit only marginally improved efficacy than those already available find it increasingly difficult to obtain approval unless considerable concessions are made on price. In the context of cost/benefit analysis, approval requirements are being tightened up considerably. However, comparisons of prices in relation to overall benefits – between generic active pharmaceutical ingredients (APIs) and new APIs for which an application for approval has recently been submitted – ignore the fact that innovation comes as a result of a series of small, incremental additional benefits. These benefits first have to be obtained at disproportionately high cost by means of research. If there is insufficient willingness to cover this cost of research, incentives and therefore long-term innovative capacity will be restricted.

During the past decade, the absence of new approvals was more than offset by growth in the sales of existing drugs, in part as a result of price increases. But in light of increasing price regulation and the expiration of patents on existing blockbuster products, this factor has virtually been exhausted: eight of the world's ten biggest-selling drugs are now more than ten years old. Many pharmaceutical companies have responded to this through acquisitions and the in-licensing of products, distribution in emerging markets and of generics. As well as ways to offset sales of expiring products, the focus is on serious efforts to lower costs and boost productivity. The trend is toward smaller, independent research departments – along the role model of the biotech firms – through to a full task sharing: that means smaller companies concentrating on preclinical and early-phase clinical research, and the pharmaceutical companies focusing on late-phase clinical studies and development, licensing, and distribution. The clear aim of the pharmaceutical companies is always to minimize the upfront risks. But innovation also means having the courage to take risks. Radical innovations that provide an opportunity to achieve differentiation do involve considerable uncertainty. The aim should not be to avoid these areas of activity but to instead address the relevant risks properly. It also takes courage to halt projects timely when the chances of success are no longer there. What was previously taboo when the mood was one of glorifying full pipelines is suddenly becoming mainstream in light of increasing cost pressures. Existing activities are being examined in a critical portfolio review and in some cases halted, the capacities freed up are being reduced or disposed of, and the costs of continuing projects are being lowered. This means reducing current spending on internal research, development and production, as well as reducing the capital that is tied up; in light of reduced spending, development costs are being shifted to later clinical stages. Simultaneous efforts to reduce time-to-market and consolidation of pharmaceutical pipelines are increasing the complexity and therefore the financial risks involved in process development and exclusive synthesis of APIs for pharmaceutical companies.

The resources freed up are used to access external, promising projects in already advanced clinical phases. Reduced process experience due to project vendors' short-term interests, additional interfaces and friction losses will increasingly lead to scale-up-related quality problems and delay the approval process. The number of process- and quality-induced problems at the approval and launch stage will increase and need to be solved under time pressure.
As a consequence of the current innovation and price pressures, pharmaceutical companies in general are adopting three key strategic directions: a focus on specific fields of indication and value chain segments, greater allocation of resources to biotechnology, and diversification into less heavily regulated life-science-related fields.

The first half of the business year 2010/11 was dominated by the structural portfolio adjustment at our pharmaceutical clients as well as their efforts to cut costs by deferring and shifting development costs to later clinical phases. Although, we had forecast this impact, we considerably underestimated the scale of it.
More than five key projects about to be applied for approval were unexpectedly halted and terminated by our clients at the late clinical stage. Some were stopped while production was ongoing at our plants. These projects were intended to replace such affected by loss of exclusivity and therefore expiring products. Some projects for which customers had conducted new drug approval processes were subject of repeated delays and their approval is still pending. Projects in the early development phase were either postponed or reduced in volume by customers seeking to reduce costs.

Net sales consequently fell by around 20 percent year-on-year in the first half of the business year to CHF 36.0 million. The reduction in operating costs initiated in the last business year was realized and additional measures were taken. Material and personnel expenses declined further as a result. The latter was also due to the continuation and extension of the short hours introduced in March 2010. Material, personnel, and other costs fell by 13 percent year-on-year overall. Peripheral areas, particularly research and development, but also quality management, were deliberately spared from cutbacks. Indeed research and development was expanded to include a routefinding laboratory. This was with a view to addressing increasing future requirements for improved synthesis route selection with respect to safety, quality, and scalability; due to delayed route selection and process development by customers. On the investment side, we continued to push forward with the expansion of API drying capacity for large-volume production in the reporting period and will commission this according to plan in the second half of the business year. Ongoing investment activity, and with it the capitalization of recently commissioned development and production capacity, correspondingly increased depreciation and amortization by 8 percent. This resulted in a net loss of CHF 2.3 million.

To offset the clear felling of projects in the late development phase, we have already begun and will continue to acquire new projects and take them reliably and safely from the early stages to production scale. The work involved is approximately proportionate to the number of projects, however, and the required resources from the corresponding segments of the value chain are being maintained for this purpose. Albeit stunted at present due to current economic circumstances, the demand for high-quality, sophisticated exclusive synthesis under time pressure – in other words, the demand for capacity for development of safe and stable chemical processes using hazardous reactions and high-volume capacity for multi-ton API production employing these processes in compliance with the highest safety standards and pharmaceutical quality – is set to increase again going forward due to pent-up demand.

Implementing and building on our corporate 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 2010/11, we will continue and terminate our investment in high-quality, technologically advanced capacity expansion. This will be followed by a return to investment activity in line with the level of depreciation and amortization. For the full business year 2010/11, we expect considerably lower net sales and a net loss, caused by several discontinued and delayed projects in the late development phase and ongoing currency pressure.

Dottikon, November 18, 2010

Dr Markus Blocher
Chief Executive Officer

Financial Report

Consolidated Income Statements

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

[A] Restated, see "Changes in Corporate Accounting Principles", page 17
[B] There are no options or similar that have a dilutive effect

	2009[A]	%	2010	%
Net sales	**45'291**	**100.0**	**36'015**	**100.0**
Changes in semi-finished and finished goods	7'664		1'910	
Other operating income	2'790		3'847	
Material expenses	-14'302		-9'859	
Personnel expenses	-22'638		-21'049	
Other operating expenses	-6'677		-6'934	
EBITDA	**12'128**	**26.8**	**3'930**	**10.9**
Depreciation and amortization	-6'720		-7'270	
EBIT	**5'408**	**11.9**	**-3'340**	**-9.3**
Financial income	239		701	
Financial expenses	-149		-373	
Financial result	**90**		**328**	
Result from associated companies	**0**		**0**	
Net income (net loss) before taxes	**5'498**	**12.1**	**-3'012**	**-8.4**
Income taxes	-688		703	
Net income (net loss)	**4'810**	**10.6**	**-2'309**	**-6.4**
Basic earnings (loss) per share in CHF[B]	**3.89**		**-1.86**	
Weighted average number of shares	**1'237'101**		**1'238'763**	

Consolidated Statement of Comprehensive Income

April–September
CHF thousand (unaudited)

[A] Restated, see "Changes in Corporate Accounting Principles", page 17

	2009[A]	2010
Net income (net loss)	**4'810**	**-2'309**
Realized gains (losses) on foreign exchange forwards	67	-416
Changes in fair value of foreign exchange forwards	-199	920
Employee benefits		
Actuarial gains (losses)	324	-7'979
Adjustments for article IAS 19.58	-194	2'104
Income taxes on other comprehensive income	1	1'019
Other comprehensive income, net of taxes	**-1**	**-4'352**
Total comprehensive income	**4'809**	**-6'661**

Consolidated Balance Sheets

CHF thousand and % (unaudited)
Notes, No 2

	31.03.2010	%	30.09.2010	%
Intangible assets	780		942	
Property, plant and equipment	229'800		230'045	
Investments in associated companies	1'038		1'038	
Non-current financial assets	32'927		27'223	
Non-current assets	**264'545**	**69.1**	**259'248**	**69.2**
Inventories	44'003		43'833	
Trade receivables	30'130		9'344	
Other receivables	2'959		5'083	
Current financial assets	0		15'000	
Cash and cash equivalents	41'406		42'048	
Current assets	**118'498**	**30.9**	**115'308**	**30.8**
Assets	**383'043**	**100.0**	**374'556**	**100.0**
Share capital	6'363		6'363	
Share premium	60'455		60'500	
Own shares	-7'057		-6'784	
Retained earnings	264'651		257'990	
Shareholders' equity	**324'412**	**84.7**	**318'069**	**84.9**
Deferred tax liabilities	39'027		37'899	
Non-current liabilities	**39'027**	**10.2**	**37'899**	**10.1**
Trade payables	3'851		3'525	
Income tax liabilities	4'694		4'753	
Other current liabilities	11'059		10'310	
Current liabilities	**19'604**	**5.1**	**18'588**	**5.0**
Liabilities	**58'631**	**15.3**	**56'487**	**15.1**
Shareholders' equity and liabilities	**383'043**	**100.0**	**374'556**	**100.0**

Consolidated Cash Flow Statements

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

[A] Restated, see "Changes in Corporate Accounting Principles", page 17
[B] Cash and bank accounts:
CHF 42'048 thousand (previous year: CHF 33'898 thousand)
Fixed deposits (original maturity of up to 90 days):
CHF 0 thousand (previous year: CHF 0 thousand)

	2009[A]	2010
Net income (net loss)	4'810	-2'309
Income taxes	688	-703
Financial result	-90	-328
Depreciation of property, plant and equipment	6'694	7'211
Amortization of intangible assets	26	59
Result from associated companies	0	0
Other non-cash income and expenses	415	930
Interest received	21	38
Interest paid	-7	-7
Income taxes paid	-1'370	-477
Changes in		
Trade receivables	18'713	20'693
Other receivables	-830	-950
Inventories	-7'858	170
Trade payables	-1'535	-33
Other current liabilities	-1'681	-217
Cash flow from operating activities	**17'996**	**24'077**
Additions to		
Intangible assets	0	-68
Property, plant and equipment	-14'471	-8'256
Non-current financial assets	0	0
Current financial assets	0	-15'000
Disposals of		
Intangible assets	0	0
Property, plant and equipment	4	0
Non-current financial assets	0	0
Current financial assets	0	0
Cash flow from investing activities	**-14'467**	**-23'324**
Dividends paid	0	0
Purchase of own shares	0	-70
Disposal of own shares	0	0
Cash flow from financing activities	**0**	**-70**
Currency translation effect on cash and cash equivalents	-26	-41
Net change in cash and cash equivalents	**3'503**	**642**
Cash and cash equivalents at the beginning of the reporting period	30'395	41'406
Cash and cash equivalents at the end of the reporting period[B]	**33'898**	**42'048**

Consolidated Statement of Changes in Equity

CHF thousand (unaudited) [A] Restated, see "Changes in Corporate Accounting Principles", page 17

	Share capital	Share premium	Own shares	Changes in fair value of foreign exchange forwards	Other retained earnings	Shareholders' equity
Balance 01.04.2009[A]	**6'363**	**60'406**	**-7'426**	**-65**	**236'905**	**296'183**
Net income (net loss)					**4'810**	**4'810**
Realized gains (losses) on foreign exchange forwards				67		67
Changes in fair value of foreign exchange forwards				-199		-199
Employee benefits						
Actuarial gains (losses)					324	324
Adjustments for article IAS 19.58					-194	-194
Income taxes on other comprehensive income				27	-26	1
Other comprehensive income, net of taxes				**-105**	**104**	**-1**
Total comprehensive income				**-105**	**4'914**	**4'809**
Changes in own shares		49	369			418
Balance 30.09.2009	**6'363**	**60'455**	**-7'057**	**-170**	**241'819**	**301'410**
Balance 01.10.2009	**6'363**	**60'455**	**-7'057**	**-170**	**241'819**	**301'410**
Net income (net loss)					**7'825**	**7'825**
Realized gains (losses) on foreign exchange forwards				4		4
Changes in fair value of foreign exchange forwards				1'039		1'039
Employee benefits						
Actuarial gains (losses)					-153	-153
Adjustments for article IAS 19.58					17'869	17'869
Income taxes on other comprehensive income				-199	-3'383	-3'582
Other comprehensive income, net of taxes				**844**	**14'333**	**15'177**
Total comprehensive income				**844**	**22'158**	**23'002**
Changes in own shares						0
Balance 31.03.2010	**6'363**	**60'455**	**-7'057**	**674**	**263'977**	**324'412**
Balance 01.04.2010	**6'363**	**60'455**	**-7'057**	**674**	**263'977**	**324'412**
Net income (net loss)					**-2'309**	**-2'309**
Realized gains (losses) on foreign exchange forwards				-416		-416
Changes in fair value of foreign exchange forwards				920		920
Employee benefits						
Actuarial gains (losses)					-7'979	-7'979
Adjustments for article IAS 19.58					2'104	2'104
Income taxes on other comprehensive income				-97	1'116	1'019
Other comprehensive income, net of taxes				**407**	**-4'759**	**-4'352**
Total comprehensive income				**407**	**-7'068**	**-6'661**
Changes in own shares		45	273			318
Balance 30.09.2010	**6'363**	**60'500**	**-6'784**	**1'081**	**256'909**	**318'069**

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, 2010 (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, 2010.

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

No new significant estimates and assumptions were made in these consolidated interim financial statements compared to the consolidated financial statements for the year ended March 31, 2010.

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

Change in accounting policy regarding employee's defined benefit plans in accordance with IAS 19

Prior to the reporting year 2009/10, actuarial gains and losses were recognized in the income statement to the extent that they exceeded the higher of 10 percent of the fair value of plan assets and the present value of defined benefit obligations of the previous year. Effective for the end of the reporting year 2009/10, actuarial gains and losses are recognized – net of deferred tax impact – within other comprehensive income. At the end of the reporting year 2009/10, the change has been applied retrospectively as of April 1, 2008.

The previous year's figures as of September 30, 2009, have been restated as follows:

- Decrease in personnel expenses of CHF 194 thousand
- Increase in income taxes of CHF 39 thousand
- Decrease in non-current financial assets of CHF 1'816 thousand
- Decrease in deferred tax liabilities of CHF 361 thousand
- Decrease in equity of CHF 1'455 thousand

Applied standards and interpretations

The interim financial statements have been prepared in accordance with the accounting policies set out in the annual financial statements 2009/10, except for the following:
With effect from April 1, 2010, DOTTIKON ES Group applied IFRIC 17 "Distributions of Non-cash Assets to Owners", newly issued by the IASB. In addition, DOTTIKON ES Group applied the following revised standards and interpretations issued by the IASB with effect from April 1, 2010: IFRS 2 "Group Cash-settled Share-based Payment Transactions", IFRS 3 "Business Combinations", "Improvements to IFRSs" (effective date: July 1, 2009, and January 1, 2010), IAS 27 "Consolidated and Separate Financial Statements", IAS 32 "Financial Instruments: Presentation – Accounting for Rights Issues", as well as IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items".
The aforementioned revised or new standards and interpretations did not have significant impact on equity, profit or loss, cash flow, and presentation of the consolidated interim financial statements of the Group.

STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET APPLIED

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

Standard/Interpretation		Effective date	Planned application by DOTTIKON ES Group
Improvements to IFRSs	C	July 1, 2010	Business year 2011/12
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	A	July 1, 2010	Business year 2011/12
Improvements to IFRSs	C	January 1, 2011	Business year 2011/12
IAS 24 revised – Related Party Disclosures	B	January 1, 2011	Business year 2011/12
Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement	C	January 1, 2011	Business year 2011/12
Amendments to IFRS 7 – Disclosures – Transfers of Financial Assets	C	July 1, 2011	Business year 2012/13
IFRS 9 – Financial Instruments	C	January 1, 2013	Business year 2013/14

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

Notes to the Consolidated Interim Financial Statements (condensed)

1 INCOME STATEMENT

Net sales decreased by CHF 9.3 million to CHF 36.0 million compared to the same period of the previous year, caused by several discontinued and delayed projects in the late development phase and currency pressure. The increase in semi-finished and finished goods of CHF 1.9 million in connection with preparatory efforts – for products to be delivered in the second half of the business year 2010/11 – was CHF 5.8 million lower in the reporting period than in the same period of the previous year. Material expenses decreased by CHF 4.4 million compared to the same period of the previous year due to lower net sales, lower commodity prices, as well as a lower inventory build-up.

Other operating income was mainly influenced by claims – related to the delayed commissioning of new apparatus groups in the same period of the previous year – of CHF 1.6 million (same period of the previous year: CHF 0.8 million).

As a consequence of lower net sales, personnel expenses were decreased by CHF 1.6 million.

Other operating expenses increased only by CHF 0.3 million and were held nearly on previous year's level as a result of cost efficiencies, despite a major revision of a plant.

Depreciation rose by CHF 0.6 million to CHF 7.3 million in the reporting period. Ordinary depreciation rose due to the previous year's investments in high-quality, technologically advanced plant components.

EBIT decreased by CHF 8.7 million to minus CHF 3.3 million due to lower net sales caused by several discontinued and delayed projects in the late development phase and currency pressure.

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 (net loss) is not material and will therefore be considered in the Annual Report as of March 31 only.

Income tax expenses showed a disproportionate decrease of CHF 1.4 million in the reporting period due to the reported loss and resulted in a tax revenue.

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

2 BALANCE SHEET

Non-current assets decreased by CHF 5.3 million in the reporting period. This decrease is mainly due to non-current financial assets. Non-current financial assets include the surplus of pension assets. An independent certified actuary estimated the recoverability of the capitalized surplus as of September 30, 2010. The surplus of pension assets decreased by CHF 5.7 million and was mainly recognized within other comprehensive income due to actuarial losses of CHF 8.0 million as well as income resulting from adjustments for article IAS 19.58 of CHF 2.1 million. Net defined benefit expenses were CHF 0.2 million lower than the effective employer contributions. The resulting difference was recognized within the income statement.

Intangible assets as well as property, plant and equipment increased by CHF 0.4 million in the reporting period. This rise was mainly due to investments in high-quality, technologically advanced capacity expansion. The corresponding additions amount to CHF 7.9 million and led to a cash outflow of CHF 8.3 million in the reporting period.

Current assets decreased by CHF 3.2 million compared to end of March 2010. Trade receivables decreased by CHF 20.8 million in the reporting period due to the consistent reduction and lower net sales. The destocking of CHF 0.2 million results from lower raw materials and supplies of CHF 2.1 million as well as from higher semi-finished and finished goods of CHF 1.9 million, for products to be delivered in the second half of the business year 2010/11. Other receivables increased by CHF 2.1 million mainly due to receivables from public fees. The increase of cash and cash equivalents of CHF 0.6 million in the reporting period mainly results from cash inflow of CHF 24.1 million from operating activities reduced by cash outflow for investing of CHF 15.0 million in fixed deposits with an original maturity of more than 90 days, as well as for intangible assets and property, plant and equipment of CHF 8.3 million.

Shareholders' equity decreased by CHF 6.3 million compared to end of March 2010, and now amounts to CHF 318.1 million as of end of September 2010. The equity ratio is 84.9 percent as of end of September 2010, representing a marginal increase. The decrease in shareholders' equity is mainly due to the recognition within other comprehensive income caused by actuarial losses as well as income resulting from adjustments for article IAS 19.58 – net of deferred tax impact – within the valuation of surplus of pension assets of CHF 4.8 million and the Group's net loss of CHF 2.3 million. In the first half of the business year, 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 1.0 million compared to end of March 2010. This is due to a decrease of CHF 0.3 million in trade payables as a result of lower material expenses, as well as the decrease of CHF 0.7 million in other current liabilities.

3 CASH FLOW STATEMENT

Cash flow from operating activities increased by CHF 6.1 million compared to the same period of the previous year and amounts to CHF 24.1 million in the reporting period. This mainly results from the reduction in trade receivables as well as from lower changes in inventory compared to the same period of the previous year. In the reporting period as well as in the same period of the previous year, other non-cash income and expenses mainly resulted from the loss on disposal of non-current assets, as well as from unrealized foreign currency gains/losses.

In the reporting period, DOTTIKON ES Group's outflow of cash and cash equivalents in investing activities in high-quality, technologically advanced capacity expansion amounts to CHF 8.3 million. Compared to the same period of the previous year, investments in intangible assets as well as in property, plant and equipment were CHF 6.1 million lower. In addition, fixed deposits of CHF 15.0 million with an original maturity of more than 90 days were concluded in the reporting period.

In the reporting year, no dividend was paid to the shareholders of DOTTIKON ES HOLDING AG. The waiver of dividends will be used, as in the previous year, for the capacity expansion activities, which will be continued in the second half of the business year 2010/11.

Cash and cash equivalents rose by CHF 0.6 million in the reporting period and amount to CHF 42.0 million as of end of September 2010.

4 SEGMENT REPORTING

DOTTIKON ES Group is specialized in hazardous chemical reactions and focuses on the exclusive synthesis of fine chemicals for the pharmaceutical and chemical industry worldwide.

According to IFRS 8 "Operating Segments", the reportable operating segments are determined using the management approach. External segment reporting is thus based on the Group's internal organization and management structure as well as internal financial reporting to the Chief Operating Decision Maker. DOTTIKON ES Group's Chief Operating Decision Maker is the Board of Directors. In addition to its statutory tasks, the Board of Directors is responsible for the strategic focus and management of the Group. Strategic and important operational decisions of DOTTIKON ES Group are taken by the Board of Directors.

DOTTIKON ES Group builds on one single production site and continues the strategy of performance leadership as specialist for hazardous reactions. DOTTIKON ES Group mainly executes projects with focus on the exclusive synthesis of fine chemicals which are strongly heterogeneous. Therefore a differentiation in several operating segments is not informative.

The financial reporting to the Board of Directors as Chief Operating Decision Maker is prepared in a single segment. DOTTIKON ES Group allocates resources and assesses their performance on entity level.

The segment reporting is compiled according to IFRS 8.31 ff. as one single reportable segment on entity level. The valuation principles applied for segment reporting purposes are consistent with those applied in the preparation of the consolidated financial statements.

Entity-wide disclosures are as follows:

Net sales by product lines:

CHF thousand/April–September	2009	2010
Pharma Products	40'128	28'285
Industrial Chemicals	2'558	5'375
Recycling & Waste Treatment	2'605	2'355
Net sales	**45'291**	**36'015**

Net sales by regions:

CHF thousand/April–September	2009	2010
Switzerland	12'262	8'480
Northern Europe	12'115	11'958
Southern Europe and others	11'206	6'970
America	8'380	7'820
Asia	1'328	787
Net sales	**45'291**	**36'015**

Share of sales by customers:

CHF thousand/April–September	2009	2010
Customers with more than 10% of net sales[A]	18'222	18'063
Customers with less than 10% of net sales	27'069	17'952
Net sales	**45'291**	**36'015**

[A] Reporting period 2010/11: 3 customers with more than 10% of net sales (same period of the previous year: 3 customers)

5 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated interim financial statements were approved for issue by the Board of Directors on November 18, 2010.

No events have occurred between September 30, 2010, and November 18, 2010, that would require an adjustment of the Group's carrying amounts of assets and liabilities or would require disclosure in this note.

Investor Relations

Issue Annual Report 2010/11:
May 31, 2011

Annual General Meeting for the Business Year 2010/11:
July 1, 2011

Issue Half-Year Report 2011/12:
November 29, 2011

DOTTIKON ES HOLDING AG is listed at the SIX Swiss Exchange.
Symbol: DESN
Security number: 2073900
ISIN: CH0020739006

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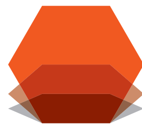
DOTTIKON ES Group, with its production site in Dottikon (Aargau, Switzerland), is specialized in hazardous chemical reactions and focuses on the exclusive synthesis of fine chemicals for the pharmaceutical and chemical industry worldwide. The product range of DOTTIKON ES Group includes active pharmaceutical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

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



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