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DOTTIKON ES Increases Net Sales and Operating Results

Dottikon, Switzerland, May 31, 2007 – SWX-listed DOTTIKON ES HOLDING AG closed its business year 2006/07 on March 31, 2007.

- DOTTIKON ES increased net sales by 2.3% year-on-year from CHF 133.7 million to CHF 136.8 million.
- EBITDA was increased from CHF 29.8 million to CHF 31.6 million. The EBITDA-margin consequently improved from 22.3% to 23.1%.
- Operating profit (EBIT) was burdened by a special write-off of CHF 4 million and therefore reduced from the previous year's CHF 18.0 million to CHF 15.9 million.
- Net profit rose from CHF 13.6 million to CHF 17.1 million, primary due to a lower tax rate for deferred income taxes.
- Free cash flow decreased from CHF 25.4 million to CHF 13.8 million as a result of a strong increase in trade receivables, following an accumulation of sales in the fourth quarter of the business year, and intensified investment activity.
- The Board of Directors of DOTTIKON ES HOLDING AG will propose on July 6, 2007 an unchanged dividend of CHF 8.00 per share to the Annual General Meeting 2006/07.

The market environment in 2006/07 was characterized by signs of an overheating of the fine chemicals market and gathering momentum in the exclusive synthesis market following in the base drag of fundamental structural changes in the pharmaceuticals industry, whereas the later will likely continue over the coming years.
The number of M&A transactions and the pricing multiples paid on the fine chemicals market once again rose in the business year just ended. After a period of portfolio restructuring, there has been a return to consolidation. 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.
Despite persistently respectable sales margins, pressure on the pharmaceuticals industry is increasing. The worldwide pharmaceuticals market once again lost growth momentum in the last business year. The number of new products approved by the U.S. drug licensing authority FDA once again reached an absolute low for the past decade. The number of approval applications from pharmaceuticals firms is decreasing despite the steady rise in absolute research and development spending. To an exceptional degree, the year 2006 was characterized by spectacular failures of new drug candidates in the final clinical phase. The attacks by generics producers have become increasingly aggressive at an earlier stage – often even before the expiration of patent protection on older medications. 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. To address the growing pressure from generics, the pharmaceuticals companies are responding with cooperative as well as competitive strategies. The emphasis is 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

Dottikon ES Holding AG
P.O. Box, 5605 Dottikon, Switzerland, Tel +41 56 616 81 11, Fax +41 56 616 81 20, info@dottikon.com, www.dottikon.com

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. 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.

In the past business year, DOTTIKON ES continued to improve its positioning as performance leader and specialist for hazardous reactions. Profitability continued to rise compared to the previous year, driven by a slight increase in sales for the first time and a continued improvement of the product mix. 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. Due to rising demand, DOTTIKON ES continued to intensify the concentration on hazardous reactions along the past business year. In this context, the decision was taken to absorb a special write-off, in order to close down facilities of expiring product lines in the future and to free up additional capacity for the strategy of performance leadership with hazardous reactions. The pipeline was strengthened by new, more complex projects, a majority of which are based on DOTTIKON ES' core technologies and hazardous reactions. At the same time, project development capacity was expanded by around one quarter. 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 modular production equipment was enhanced by the addition of product-specific modules. DOTTIKON ES 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.

DOTTIKON ES continues the strategy of positioning as specialist for hazardous reactions and dedication to performance leadership. In the current business year, DOTTIKON ES will once again intensify its investment activities. For the business year 2007/08, DOTTIKON ES expects an increase in net sales and a further improvement of the product mix.

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Key Figures DOTTIKON ES Group

CHF million	FY 2005/06	FY 2006/07*	Special items**	FY 2006/07	Changes
Net sales	**133.7**	136.8		**136.8**	+2.3%
Changes in semi-finished and finished goods	-9.1	-5.7		-5.7	
Other operating income	3.0	3.3		3.3	
Material expenses	-36.6	-41.3		-41.3	
Personnel expenses	-44.0	-43.8		-43.8	
Other operating expenses	-17.2	-17.7		-17.7	
EBITDA	**29.8**	31.6		**31.6**	+6.0%
EBITDA margin (in % of net sales)	*22.3%*	*23.1%*		*23.1%*	
Depreciation and amortization	-11.8	-12.2	-3.5	-15.7	
EBIT	**18.0**	19.4		**15.9**	-11.5%
EBIT margin (in % of net sales)	*13.5%*	*14.2%*		*11.6%*	
Financial results	0.2	0.7		0.7	
Income taxes	-4.6	-3.7	+4.2	0.5	
Net income	**13.6**	16.4		**17.1**	+25.3%
Net income margin (in % of net sales)	*10.2%*	*12.0%*		*12.5%*	
Basic earnings per share (in CHF)	**11.05**	13.28	+0.56	**13.84**	+25.3%
Proposed dividend per share (in CHF)	8.00	8.00		8.00	
Cash flow from operating activities	**33.8**	29.6		**29.6**	-12.3%
Capital expenditure	-8.4	-15.8		-15.8	
Free cash flow	**25.4**	13.8		**13.8**	-45.7%

* Before special items

** Special write-off of CHF 4 million including reduction in annual depreciation plus lower tax rate for deferred income taxes

FY 2005/06: business year from April 1, 2005 to March 31, 2006

FY 2006/07: business year from April 1, 2006 to March 31, 2007

DOTTIKON ES, 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 includes active pharmaceutical ingredients (APIs) and pharmaceutical intermediates as well as in-house-developed, high-value industrial chemicals.

For further information please contact

Rémy Scheidegger
Senior Assistant to CEO

DOTTIKON ES HOLDING AG
Tel +41 56 616 82 01
Fax +41 56 616 89 45
remy.scheidegger@dottikon.com