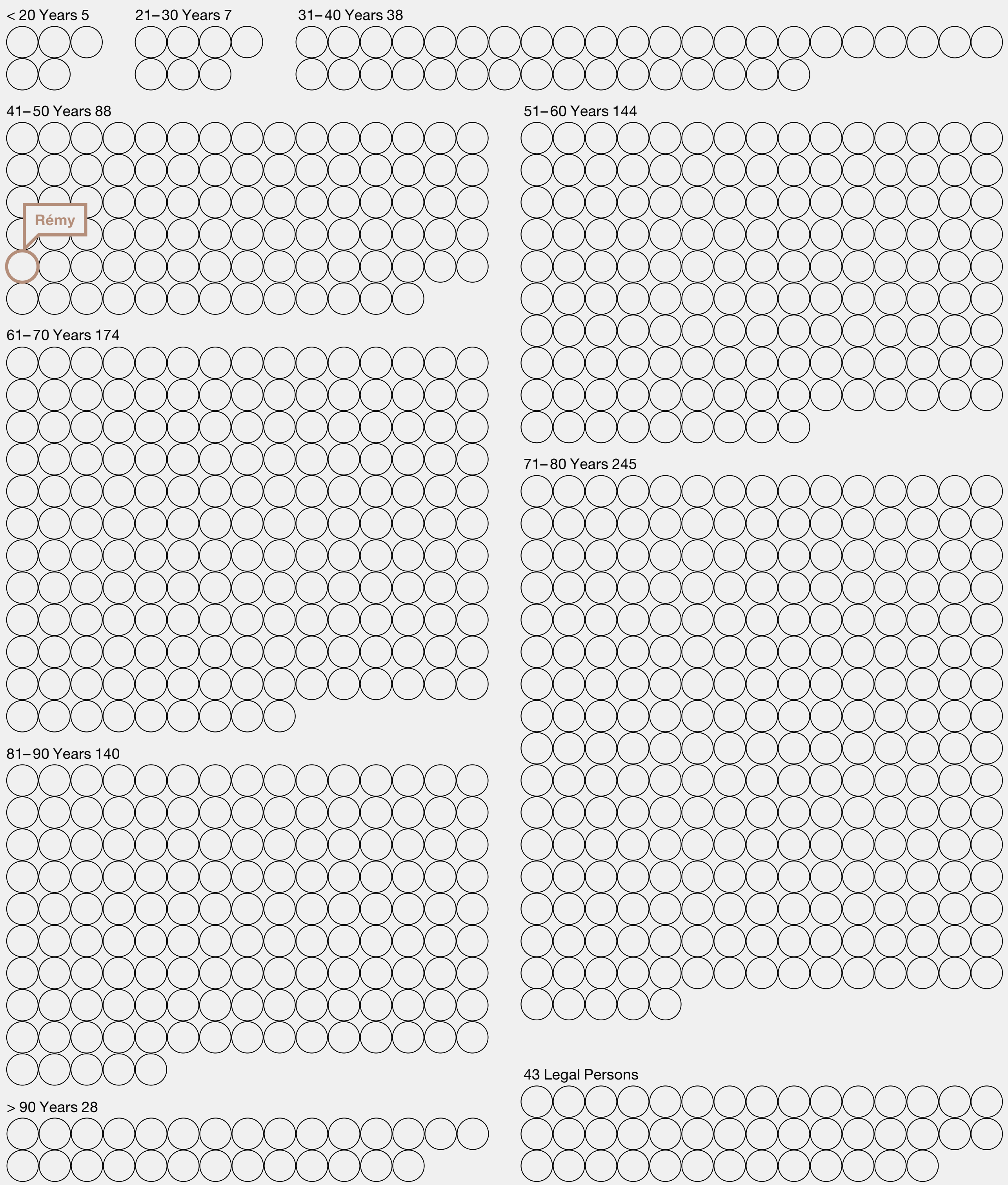
2015/16 Condensed Annual Report

Your Specialist for Hazardous Reactions.

Content

This Annual Report 2015/16 in English includes only condensed financial information.
The comprehensive Annual Report 2015/16 is available in German.

Our Shareholders are Young and Old



Dear Shareholder,

Herewith we present to you DOTTIKON ES Group's Condensed Annual Report 2015/16 for the period from April 1, 2015, to March 31, 2016. Net sales increased by 26 percent to CHF 121.4 million in the reporting year, with pharma growing by around 38 percent. The production output – net sales plus inventory changes in semi-finished and finished goods – rose by 34 percent. Existing projects were further developed and represented a significant and broad-based growth factor. As a result, at CHF 14.3 million, the net income was more than ten times higher than in the previous business year.
We dedicate this Annual Report to you, our shareholders. Thank you for your trust, your long-standing loyalty and patience, the genuine commitment to our company and the interest in our work.

Assessment of situation
The geopolitical risks continue to rise and the global economic uncertainties persist.
The ongoing regionalization has given rise to a tripolar world order. The hegemonial claims of the United States, Russia, and China have divided the United States' former dominance into three camps of power – West, East, and Southeast. Economic and fiscal conflicts, proxy wars, and military provocation at the borders of these areas of influence have intensified, with the respective shifts in cultural values and large flows of migration. The influence of the expansive fiscal policies has reached its limits in terms of economic stimuli, and worries about the long-term effects are increasingly coming to the fore. Possible financial market distortions would swiftly

add to the deterioration of the financing conditions for companies and public budgets. China, in addition, is undergoing challenging structural changes that represent significant risks for the global economy. The low energy prices have only provided limited consumption stimuli. The drop in prices for fossil fuels had a negative impact on the economic development and the scope of action of the producing countries in South America and the Middle East as well as Russia and the United States. Given Europe's structural and political weakness, the necessary structural reforms for more personal responsibility and freedom in Europe fail to materialize, which dampens the region's economic development. In the context of a genuine terrorist threat, furthermore, we see a rapid shift toward increased safety to the detriment of freedom.

For many large-sized companies, the growth potential from value capture based on global economies of scale, specialization, and the consolidation of value chains and their segments is exhausted. Ongoing cost-saving efforts that involve the outsourcing and reduction of research, development, and production have ultimately resulted in a negligence of product innovation. The consolidation aimed at defending monopoly premiums continues in many industries. Tax-saving options for US companies through merger-based tax inversion were curbed. More and more frequently, Chinese companies acquire Western companies. The market concentration increasingly calls antitrust authorities and consumer representatives into action and results in more bureaucratic, inefficient regulation.

The demographic trend ensures long-term value growth in the pharmaceutical market. Aging populations based on rising life expectancies in industrialized nations as well as population growth and an increase in wealth in emerging markets result in an increase in chronic illnesses and the respective demand for effective treatments. The average life expectancy is estimated

to increase by one year every five years. The sales slump attributable to state-imposed health care cost cuts via drug price regulation and measures to boost the market penetration of generics, along with favorable financing conditions, has become an important innovation driver.

The lack of price regulation in the United States, which is the largest drug market with a market share of 40 percent, combined with favorable financing conditions, supports the outlook for high profits in the market of innovative drugs. At USD 71 billion, historically high sums have been channeled into the US and European biotech industry in 2015, breaking the record set in 2014. Over the past two years, more than USD 125 billion flowed into the biotech industry. More than 60 percent was innovation risk capital made available to companies with annual sales of less than USD 500 million.

Under these conditions, the previously neglected area of pharmaceutical innovation received fresh impetus. Over the last five years, the number of active ingredients introduced into the market increased by 26 percent compared to the previous 5-year period. In 2015, the FDA approved 45 new drugs in the United States – a figure that has not been reached since the mid-90s. 33 of these drugs were small molecules (new molecular entities, NME), the remaining 12 were biologics, primarily of biotechnological origin (new biological entities, NBE). In Europe, in comparison, the EMA approved 39 new drugs, 24 of which were NME and a remarkable 15 were NBE. Contrary to popular belief over the last few years that the trend was exclusively in favor of products with lower volumes and sales, blockbusters – drugs with annual sales in excess of USD 1 billion – have made a comeback. Over the last five years, over ten small molecule blockbuster APIs were introduced, more than three times the number registered in the previous 5-year period. For the first time in a decade, the sales share of blockbuster drugs of the top 20 pharmaceutical companies has risen to more than 50 percent in a 5-year comparison. For the coming 5-year period, a further increase in market introductions of new APIs by 20 percent to approximately 230 is expected. More than 2'000 new candidates are currently in late-stage development phases II and III, or have already entered the registration phase. Around 60 percent of these are new molecular entities, or so-called small molecules, produced with organic chemical procedures that represented more than three quarters of global pharma sales in 2015. And while the trend in early development phases currently points to biologics, small molecules will continue to make up at least half of the APIs going forward. In addition, the production of biologics is often more complex and substantially more expensive than that of small molecules. Biologics are also a main driver for rising drug expenditures within the area of health costs. In 2015, US average prices for patent-protected drugs nearly doubled in comparison with 2011.

Growth rates in the pharmerging markets have fallen to the single digits, but are still high at an average of 8 percent. The margins, however, are less interesting, as up to 90 percent of these markets are made up of traditional drugs and generics. In China, for example, growth rates have fallen to around 8 percent, about half of the average over the last five years. Drug price regulation by Chinese authorities has taken its toll. The developed pharma markets offer more interesting margins, with effective and expected growth rates clearly trending upward compared to the five years before. The United States takes the lead, with expected annual growth rates of 6 to 9 percent through 2019. This development took shape despite joint efforts of health insurers to secure discounts in order to combat the ongoing price hikes. The expected annual growth rates of the global pharmaceutical industry over the coming few years is at a promising 7 percent.

Today, the currently rather unlikely introduction of strict European-style price regulation for prescription drugs in the United States would be the biggest threat to the pharma industry's bright outlook. Still, drug price regulation is an important topic in the current US presidential election campaign. With a combination of US price regulation and a swift increase in interest rates around the globe or a renewed financial crisis, fund flows into the biotech industry would quickly run dry and curb its innovation power in the medium term. The financial crisis of 2008 showed just how quickly financing conditions can change. Other warning signals include the 22 percent decline of raised capital in the biotech IPO market seen in 2015 or the 71 percent decline in the number of overall US IPOs, representing an 88 percent decline in volume, in the first quarter of 2016 compared to a year earlier. On a brighter note, all 10 US IPOs carried out in the first quarter of 2016 involved either pharmaceutical or biotech companies. Venture funding in US biotech companies also defended the previous year's level. These are indications that the pharmaceutical market continues to be attractive for financial investors relative to other industries.

This positive development of the pharma market in combination with the mechanistic changes in the manufacturing supply chain of active pharmaceutical ingredients seen over the last two decades creates a very promising perspective for providers of exclusive synthesis that offer high-quality process development and API manufacturing applying a versatile set of technology. In the mid-90s, the blockbuster API strategy revived the pharma industry. Due to the rapid volume, sales, and profit growth with drugs for broad and large indications, chemical conglomerates were shaped into pure pharmaceutical companies via spin-offs and mergers. The main focus was shifted toward clinical research and the development of new blockbusters, and pharmaceutical companies started to embrace the idea of outsourcing the chemical production of pharma intermediates and, later, APIs. Chemical manufacturers oriented their strategy to this promising growth market and invested heavily in expanding their cGMP manufacturing capacities. However, with so many pharmaceutical companies pursuing a blockbuster strategy and focusing on similar indications and mechanisms of action, and hence on "me-too drugs", the market had to be shared with a growing number of competitors. The individual pieces of the pie became smaller, which accelerated the industry's consolidation process. In addition, with blockbusters being broadly prescribed, dangerous side effects and deaths appeared in select populations, which resulted in costly market withdrawals and caused expensive class action suits. This gave a further boost to the consolidation wave that had already started with globalization. In addition, as a result of the mentioned incidents, health authorities stepped up the regulatory requirements for clinical research and drug development quality assurance. The failure of introduced blockbusters or candidates awaiting market approval, the increased competition from me-too drugs, the realization of operational M&A synergies, and the first expiries of blockbuster patents, together with a sharp increase in available chemical cGMP production capacities due to the preceding outsourcing trend, resulted in massive idle capacities and cost pressure at the beginning of this millennium. Pharmaceutical companies proceeded to close or divest their excess production capacities; chemical producers consolidated or exited the field of complex and demanding cGMP exclusive synthesis. In the second half of the first decade, up to the financial crisis of 2008, the thriving global economy and the flow of funds into the rising biotech industry and the pharmerging markets in Eastern Europe, Russia, Asia, and South America revived pharma growth once again. Along with the crisis, the flow of funds into the innovative biotech industry temporarily ran almost completely dry. The substantial government debt came to the

light and resulted, above all in Europe, in strict drug price regulation and the promotion of generic drugs. Many patents for blockbuster drugs expired, and the market came under pressure due to cheap generics from Asia. Cost and innovation pressure kept rising. Due to a lack of innovation, the pipelines of pharmaceutical companies were weak, and the companies started to streamline them. The potential blockbuster APIs in the most cost-intensive late clinical stages without added value compared to established drugs or drugs with little chance of approval were suspended practically overnight. Branded generics were heavily marketed in pharmerging markets, and the pipelines were freshened up by the acquisition and in-licensing of biotech innovations. Pharmaceutical companies purchased biotechs with promising fast-track development products or new technology platforms in order to make up for their low innovation power and to create added value by applying their commercialization and distribution competence. To save costs, the chemical process development aimed at securing robust, stable, and cost-efficient production processes for APIs was deferred to late clinical stages. The purchase of early-phase small quantities of intermediates and API candidates as well as the chemical manufacturing of intermediates and APIs were outsourced to low-cost countries in Asia and Eastern Europe. Amid this process, pharmaceutical companies drastically reduced their own development and production capacities, with some even withdrawing completely from chemical manufacturing against the background of existing idle and therefore non-profitable cGMP overcapacities. China and India above all massively increased their small-scale, intermediates, and API production capacities, with the latter mainly being used for fast-growing generics. As a result, high-quality cGMP exclusive synthesis providers in the Western world consolidated and reduced their chemical development, small-scale and multi-ton production capacities and increasingly shifted their strategy toward other, more lucrative market segments. The last five years, however, showed that chemical manufacturers in Asia often failed to live up to the high pharma quality requirements, and massive cases of fraud were detected. In addition, the companies needed to make up for the deferred synthesis route selection and the subsequent chemical process development amid fast-track development projects, as this became a key success factor for the timely availability of APIs and hence for market approval and introduction. Given that many pharmaceutical companies had drastically reduced their own chemical development capacity about ten years ago and that many of them or their suppliers have faced difficulties with regulatory authorities for non-compliance with cGMP, such key tasks were increasingly outsourced to the few remaining reliable, trustworthy, and established strategic development and manufacturing partners that were able to deliver the required quality.

Pharmaceutical companies tend to prefer partners that are able to provide the full range of services from chemical synthesis routefinding, the development of chemical processes and analytical methods, and multi-step API production, including validation and stability studies. On the one hand, the partners should possess cutting-edge development and production infrastructure, an impeccable quality track record, and a broad technology platform, while on the other hand having profound experience in the development of chemical processes and the production of APIs. Pharmaceutical companies are interested in maintaining a very limited number of interfaces and in cooperating closely with a select group of strategic partners throughout all stages from development up to market introduction and supply.

As described above, the global pharma pipeline today is filled with promising and innovative products. A further tightening of quality requirements for API manufacturing, the higher number

of cGMP steps in chemical API synthesis and larger manufacturing volume requirements, a climate of distrust toward low-cost producers in Asia, and the common lack of process development and manufacturing experience and capacity among biotech and pharmaceutical companies have already created first bottlenecks in high-quality, technologically proficient chemical process development and API manufacturing capacities. This trend is set to become even more apparent over the coming years. With this business area being unattractive over the last few years, many of the former cGMP customer synthesis providers have exited this field or are, based on the described crucial experiences made over the last two decades, currently unwilling to make capital-intensive investments in high-quality development and manufacturing capacities.

Review

In comparison with the previous year, net sales increased by 26 percent to CHF 121.4 million. The growth was purely organic, i.e. without any acquisitions of business units, and was entirely self-financed and broad based. The increase was achieved through an expansion of the existing business and a further broadening of the customer, project, and product base through new project acquisitions. Expenses for research and development increased by more than 13 percent in the reporting period and made up 11 percent of net sales. The strong growth in sales, the more material-intensive product mix and the increase in inventory in semi-finished and finished goods resulted in a 49 percent increase in material expenses, with this figure being up by a mere 2 percentage points in relation to the production output compared to the previous year. Personnel expenses were up by 11 percent due to an 8 percent increase in the workforce as well as higher inconvenience and overtime compensations amid higher plant utilization. Other

operating expenses rose by CHF 1.9 million, mainly due to the increase in repair and maintenance as well as in supplies due to the higher utilization. As a result, at CHF 31.8 million, the EBITDA was around CHF 15.9 million higher than in the previous year. The EBITDA margin was 26.2 percent (previous year: 16.5 percent). Slightly higher depreciation and amortization compared to the previous year resulted in an operating income of CHF 16.6 million (previous year: CHF 1.4 million) and a net income of CHF 14.3 million (previous year: CHF 1.3 million), with the higher earnings contribution made by associated company SYSTAG, System Technik AG having had some positive impact. The EBIT margin rose to 13.7 percent (previous year: 1.5 percent), and the net income margin was 11.8 percent (previous year: 1.4 percent).
Due to a strong fourth quarter in the reporting period, trade receivables were up approximately CHF 24 million, which explains why the cash flow from operating activities fell to CHF 5.9 million compared to the previous year's CHF 11.4 million despite a strong increase in net income. Together with a CHF 3.4 million increase in property, plant and equipment as well as in intangible assets, cash and cash equivalents fell to CHF 21.6 million at the end of the reporting period (previous year: CHF 29.1 million). The equity ratio remains at a solid 85.5 percent.

KEY FIGURES, APRIL–MARCH

CHF million	2014/15	2015/16	Changes
Net sales	96.5	121.4	25.8%
EBITDA	15.9	31.8	100.2%
EBITDA margin (in % of net sales)	16.5%	26.2%	
EBIT	1.4	16.6	1'062.1%
EBIT margin (in % of net sales)	1.5%	13.7%	
Net income	1.3	14.3	973.9%
Net income margin (in % of net sales)	1.4%	11.8%	
Operating cash flow	11.4	5.9	–47.9%
Employees (FTE, annual average)	458	495	8.1%

Outlook

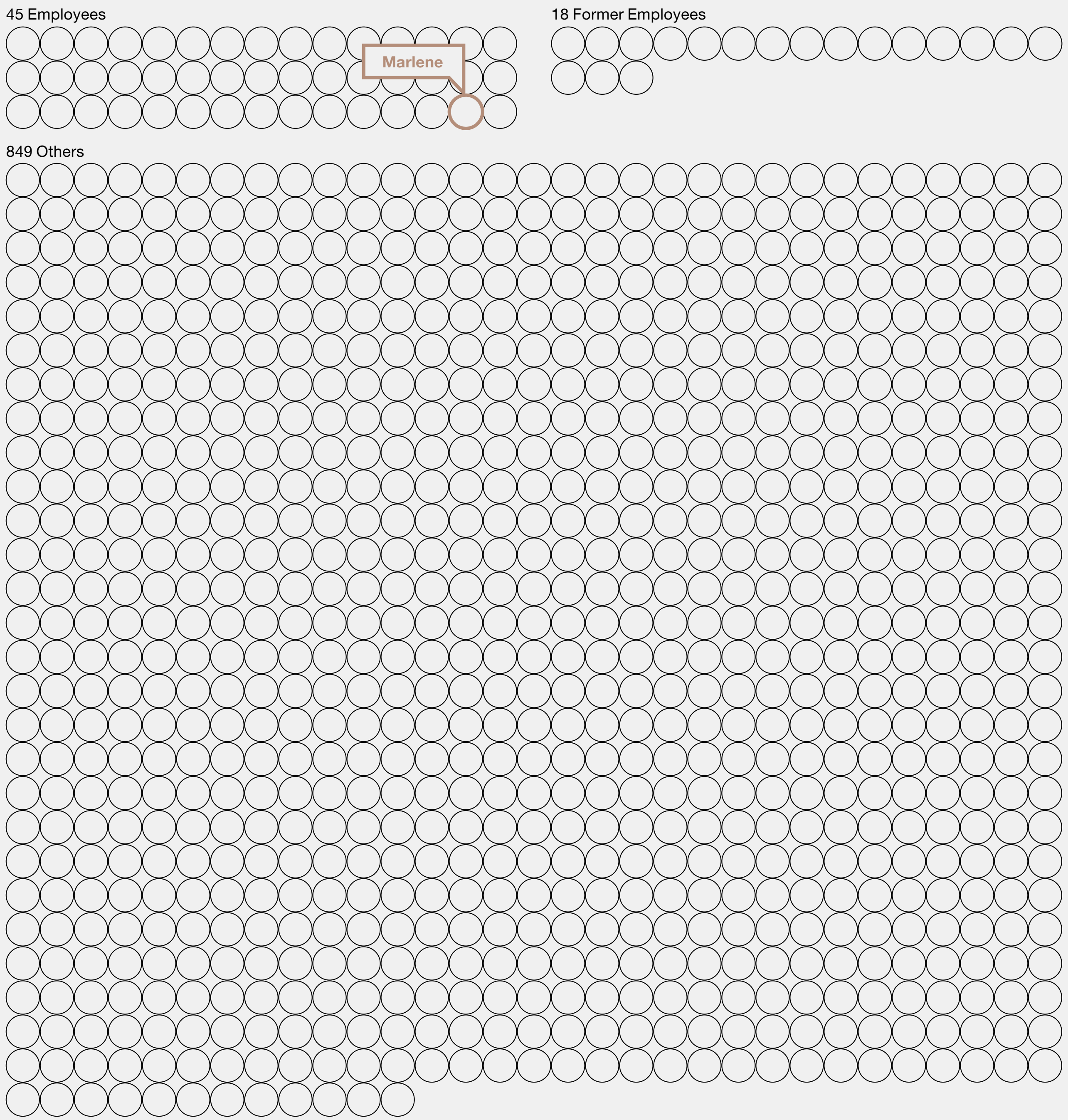
In the current pharmaceutical environment described above, DOTTIKON ES remains well positioned amid the ongoing expansion of process development capacities over the last few years as well as the initiated large-scale investments in further capacity expansion. The corporate strategy – strategic partner and specialist for hazardous reactions – therefore remains: By using enabling technology, we develop and manufacture high-quality, demanding chemical products safely and efficiently. We assess the risks properly and steadily minimize their potential impact and/or probability of occurrence. We collaborate closely with our customers and cultivate an integrated partnership. By applying our full development and manufacturing capabilities, we support our customers in the successful execution of their strategy. In doing so, we create more value for our customers than our competitors.
The pharmaceutical market is and remains the main market in which profitable growth in net sales will be achieved. Amid this effort, capacity utilization of the existing infrastructure will be increased. In order to achieve the expected net sales growth in the medium term, the API drying and multipurpose manufacturing capacities are in expansion and the construction of a new facility for laboratories and offices is in preparation. In the long run, a further expansion of the multipurpose production capacities is in evaluation. Against this background, investments will rise substantially in the current and the following few years. The respective financing options are currently in evaluation.
We continue to focus on safety, reliability, high flexibility, and speed and are positioned as strategic development and manufacturing partner and performance leader.

Our one-site strategy allows reduced decision and communication pathways. This ensures rapid and efficient project development as well as clear and transparent communication with our customers. The safety culture created over the last 100 years guides innovative use of hazardous reactions, low-temperature and high-pressure chemistry, as well as continuous processing. This shortens conventional chemical synthesis routes, increases yields, selectivities and purities, and reduces waste. The versatile technology and equipment portfolio is used, maintained and continuously expanded to design, develop and optimize chemical processes, and rapidly scale up from kilograms to multi-tons and to produce and deliver the respective market quantities. In order to ensure long-term growth, the independent Performance Chemicals project team will develop new own innovative products to satisfy currently unmet market needs.
Against the background of the described positive development in the pharma market and the further development and expansion of our product pipeline, we anticipate a further increase in net sales and net income in the business year 2016/17 compared to the previous year.

Dottikon, May 13, 2016

Dr. Markus Blocher
Chairman of the Board of Directors

Our Shareholders are Employees



Group Financial Statements DOTTIKON ES Group

Consolidated Income Statements

April–March
CHF thousand and %
(condensed)

[A] There are no options or similar instruments that have a dilutive effect

	Notes	2014/15	%	2015/16	%
Net sales	(1)	**96'493**	**100.0**	**121'433**	**100.0**
Changes in semi-finished and finished goods		–1'077		6'704	
Other operating income		2'940		3'133	
Material expenses		–19'830		–29'565	
Personnel expenses		–48'306		–53'701	
Other operating expenses		–14'329		–16'192	
EBITDA		**15'891**	**16.5**	**31'812**	**26.2**
Depreciation and amortization	(2, 3)	–14'460		–15'183	
EBIT		**1'431**	**1.5**	**16'629**	**13.7**
Financial income		273		268	
Financial expenses		–202		–264	
Financial result		**71**		**4**	
Result from associated companies		**–177**		**509**	
Net income before taxes		**1'325**	**1.4**	**17'142**	**14.1**
Income taxes		4		–2'870	
Net income		**1'329**	**1.4**	**14'272**	**11.8**
Basic earnings per share in CHF[A]		**1.07**		**11.44**	
Weighted average number of shares		**1'245'513**		**1'247'362**	

Consolidated Statements of Comprehensive Income

April–March
CHF thousand
(condensed)

	2014/15	2015/16
Net income	**1'329**	**14'272**
Foreign exchange forwards		
Realized gains (losses) on foreign exchange forwards	33	–2'001
attributable income taxes	–6	380
Changes in fair value of foreign exchange forwards	3'052	–329
attributable income taxes	–579	65
Items that will be reclassified subsequently to the income statement	**2'500**	**–1'885**
Employee benefits		
Actuarial gains (losses)	–17'757	–9'642
attributable income taxes	3'302	1'793
Limitation of the asset ceiling in accordance with IAS 19.64	14'627	0
attributable income taxes	–2'731	0
Interest on the effect of the asset ceiling	256	0
attributable income taxes	–49	0
Items that will not be reclassified subsequently to the income statement	**–2'352**	**–7'849**
Other comprehensive income, net of taxes	**148**	**–9'734**
Total comprehensive income	**1'477**	**4'538**

Consolidated Balance Sheets

CHF thousand and %
(condensed)

	Notes	31.03.2015	%	31.03.2016	%
Intangible assets	(2)	783		682	
Property, plant and equipment	(3)	195'200		194'392	
Investments in associated companies		753		1'262	
Pension surplus		31'582		22'343	
Non-current assets		**228'318**	**68.8**	**218'679**	**64.1**
Inventories	(4)	40'197		45'292	
Trade receivables	(5)	28'179		52'613	
Other receivables		6'210		2'973	
Cash and cash equivalents		29'075		21'603	
Current assets		**103'661**	**31.2**	**122'481**	**35.9**
Assets		**331'979**	**100.0**	**341'160**	**100.0**
Share capital		127		127	
Share premium		60'706		60'713	
Own shares		–5'418		–5'045	
Retained earnings		231'303		235'841	
Shareholders' equity		**286'718**	**86.4**	**291'636**	**85.5**
Deferred tax liabilities		25'478		25'839	
Non-current liabilities		**25'478**	**7.7**	**25'839**	**7.6**
Trade payables		4'522		4'970	
Income tax liabilities		385		242	
Other current liabilities		14'876		18'473	
Current liabilities		**19'783**	**5.9**	**23'685**	**6.9**
Liabilities		**45'261**	**13.6**	**49'524**	**14.5**
Shareholders' equity and liabilities		**331'979**	**100.0**	**341'160**	**100.0**

Consolidated Cash Flow Statements

April–March
CHF thousand
(condensed)

	Notes	2014/15	2015/16
Net income		1'329	14'272
Income taxes		–4	2'870
Financial result		–71	–4
Depreciation of property, plant and equipment	(3)	14'289	14'999
Amortization of intangible assets	(2)	171	184
Result from associated companies		177	–509
Other non-cash income and expenses		–2'100	990
Interest received		6	0
Interest paid		–10	–11
Income taxes paid		–589	–414
Changes in			
Trade receivables		–4'320	–24'284
Other receivables		–539	380
Inventories	(4)	–2'909	–5'095
Trade payables		1'806	–747
Other current liabilities		4'137	3'296
Cash flow from operating activities		**11'373**	**5'927**
Outflows of			
Intangible assets	(2)	–175	–127
Property, plant and equipment	(3)	–9'788	–13'280
Investments in associated companies		–260	0
Inflows of			
Intangible assets	(2)	0	0
Property, plant and equipment	(3)	92	13
Cash flow from investing activities		**–10'131**	**–13'394**
Dividends paid		0	0
Reduction of share capital by reduction of the nominal value		–6'104	0
Purchase of own shares		0	0
Disposal of own shares		0	0
Cash flow from financing activities		**–6'104**	**0**
Currency translation effect on cash and cash equivalents		–8	–5
Net change in cash and cash equivalents		**–4'870**	**–7'472**
Cash and cash equivalents at the beginning of the reporting period		33'945	29'075
Cash and cash equivalents at the end of the reporting period		**29'075**	**21'603**

Consolidated Statements of Changes in Equity

CHF thousand
(condensed)

[A] Changes in own shares in the reporting year 2015/16: disposal of 1'863 shares within the shareholding program for employees (previous year: disposal of 1'476 shares within the shareholding program for employees)

	Share capital	Share premium	Own shares[A]	Changes in fair value of foreign exchange forwards	Other retained earnings	Shareholders' equity
Balance 01.04.2014	**6'363**	**60'544**	**–5'714**	**–24**	**229'850**	**291'019**
Net income					**1'329**	**1'329**
Foreign exchange forwards						
Realized gains (losses) on foreign exchange forwards				33		33
Changes in fair value of foreign exchange forwards				3'052		3'052
Employee benefits						
Actuarial gains (losses)					–17'757	–17'757
Limitation of the asset ceiling in accordance with IAS 19.64					14'627	14'627
Interest on the effect of the asset ceiling					256	256
Income taxes on other comprehensive income				–585	522	–63
Other comprehensive income, net of taxes				**2'500**	**–2'352**	**148**
Total comprehensive income				**2'500**	**–1'023**	**1'477**
Reduction of share capital by reduction of the nominal value	–6'236	132				–6'104
Changes in own shares		30	296			326
Balance 31.03.2015	**127**	**60'706**	**–5'418**	**2'476**	**228'827**	**286'718**
Balance 01.04.2015	**127**	**60'706**	**–5'418**	**2'476**	**228'827**	**286'718**
Net income					**14'272**	**14'272**
Foreign exchange forwards						
Realized gains (losses) on foreign exchange forwards				–2'001		–2'001
Changes in fair value of foreign exchange forwards				–329		–329
Employee benefits						
Actuarial gains (losses)					–9'642	–9'642
Limitation of the asset ceiling in accordance with IAS 19.64					0	0
Interest on the effect of the asset ceiling					0	0
Income taxes on other comprehensive income				445	1'793	2'238
Other comprehensive income, net of taxes				**–1'885**	**–7'849**	**–9'734**
Total comprehensive income				**–1'885**	**6'423**	**4'538**
Dividends paid						0
Changes in own shares		7	373			380
Balance 31.03.2016	**127**	**60'713**	**–5'045**	**591**	**235'250**	**291'636**

Notes to the Group Financial Statements of DOTTIKON ES Group (condensed)

1 SEGMENT REPORTING

DOTTIKON ES Group manufactures high-quality performance chemicals, intermediates and exclusive active pharmaceutical ingredients (APIs) for the world's leading chemical and pharmaceutical industry. DOTTIKON ES Group is specialized in hazardous reactions and is positioning itself as strategic development and manufacturing partner. DOTTIKON ES Group uses its versatile technology and equipment portfolio to design, develop and optimize chemical processes, and scale up from kilograms to multi-tons.

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 with the strategy of performance leadership as specialist for hazardous reactions. Property, plant and equipment, intangible assets, and investments in associated companies are located in Switzerland. 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 Group Financial Statements.

Entity-wide disclosures are as follows:

Net sales by product lines:

CHF thousand/April–March	2014/15	2015/16
Pharma Products	79'072	108'929
Performance Chemicals	13'641	8'950
Recycling & Waste Treatment	3'780	3'554
Net sales	**96'493**	**121'433**

Net sales by regions:

CHF thousand/April–March	2014/15	2015/16
Switzerland	37'687	38'410
Northern Europe	29'273	36'020
Southern Europe and others	10'142	18'414
America	17'385	23'710
Asia	2'006	4'879
Net sales	**96'493**	**121'433**

Share of sales by customers:

CHF thousand/April–March	2014/15	2015/16
Customers with more than 10% of net sales[A]	39'297	50'623
Customers with less than 10% of net sales	57'196	70'810
Net sales	**96'493**	**121'433**

[A] Reporting year 2015/16: three customers with more than 10% of net sales (previous year: two customers)

2 DEVELOPMENT OF INTANGIBLE ASSETS

CHF thousand		Software	Total
	Cost		
	Balance 01.04.2014	**3'262**	**3'262**
	Additions[A]	100	100
	Disposals	–245	–245
	Reclassifications	82	82
	Balance 31.03.2015	**3'199**	**3'199**
	Balance 01.04.2015	**3'199**	**3'199**
	Additions[A]	35	35
	Disposals	–24	–24
	Reclassifications	48	48
	Balance 31.03.2016	**3'258**	**3'258**
	Amortization, accumulated		
	Balance 01.04.2014	**–2'490**	**–2'490**
	Additions	–171	–171
	Disposals	245	245
	Reclassifications	0	0
	Balance 31.03.2015	**–2'416**	**–2'416**
	Balance 01.04.2015	**–2'416**	**–2'416**
	Additions	–184	–184
	Disposals	24	24
	Reclassifications	0	0
	Balance 31.03.2016	**–2'576**	**–2'576**
	Carrying amounts		
	01.04.2014	**772**	**772**
	31.03.2015	**783**	**783**
	31.03.2016	**682**	**682**

[A] Capital expenditure reflects cost of acquired intangible assets (without consideration of cash outflow)

No development costs were capitalized in the reporting year 2015/16 and the previous year since no capitalization criteria were met. Expenses for research and development of CHF 13'440 thousand (previous year: CHF 11'876 thousand) were charged to the income statement. Capital commitments for intangible assets amount to CHF 15 thousand as of March 31, 2016 (previous year: CHF 43 thousand). There was no impairment on intangible assets in the reporting year 2015/16 and the previous year. No interests were capitalized in the reporting and the previous year.

3 DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

CHF thousand		Land	Buildings	Technical plant and machinery	Other property, plant and equipment	Plants under construction	Total
	Cost						
	Balance 01.04.2014	**8'699**	**134'654**	**312'661**	**12'822**	**5'957**	**474'793**
	Additions[A]	0	1'916	3'335	491	4'182	9'924
	Disposals	0	–71	–1'907	–310	0	–2'288
	Reclassifications	0	118	1'945	343	–2'488	–82
	Balance 31.03.2015	**8'699**	**136'617**	**316'034**	**13'346**	**7'651**	**482'347**
	Balance 01.04.2015	**8'699**	**136'617**	**316'034**	**13'346**	**7'651**	**482'347**
	Additions[A]	0	1'550	4'100	262	9'327	15'239
	Disposals	0	–798	–7'106	–192	0	–8'096
	Reclassifications	0	837	3'645	346	–4'876	–48
	Balance 31.03.2016	**8'699**	**138'206**	**316'673**	**13'762**	**12'102**	**489'442**
	Depreciation, accumulated						
	Balance 01.04.2014	**0**	**–68'677**	**–196'214**	**–9'873**	**0**	**–274'764**
	Additions	0	–2'624	–11'081	–584	0	–14'289
	Disposals	0	55	1'648	203	0	1'906
	Reclassifications	0	0	0	0	0	0
	Balance 31.03.2015	**0**	**–71'246**	**–205'647**	**–10'254**	**0**	**–287'147**
	Balance 01.04.2015	**0**	**–71'246**	**–205'647**	**–10'254**	**0**	**–287'147**
	Additions	0	–3'337	–11'122	–540	0	–14'999
	Disposals	0	632	6'271	193	0	7'096
	Reclassifications	0	0	0	0	0	0
	Balance 31.03.2016	**0**	**–73'951**	**–210'498**	**–10'601**	**0**	**–295'050**
	Carrying amounts						
	01.04.2014	**8'699**	**65'977**	**116'447**	**2'949**	**5'957**	**200'029**
	31.03.2015	**8'699**	**65'371**	**110'387**	**3'092**	**7'651**	**195'200**
	31.03.2016	**8'699**	**64'255**	**106'175**	**3'161**	**12'102**	**194'392**

[A] Capital expenditure reflects cost of acquired property, plant and equipment (without consideration of cash outflow)

The insurance value of property, plant and equipment amounts to CHF 530'576 thousand (previous year: CHF 523'303 thousand). Capital commitments for property, plant and equipment amount to CHF 13'400 thousand as of March 31, 2016 (previous year: CHF 2'721 thousand). There was no impairment on property, plant and equipment in the reporting year 2015/16 and the previous year. No interests were capitalized in the reporting and the previous year.

4 INVENTORIES

CHF thousand/31.03.	2014/15	2015/16
Raw materials	6'636	6'112
Supplies[A]	7'095	6'002
Trading goods	203	211
Semi-finished goods	10'171	14'603
Finished goods	16'092	18'364
Inventories	**40'197**	**45'292**

[A] Mainly includes precious metals in the form of catalysts for production purposes

Value adjustments deducted from inventory balances amount to CHF 3'168 thousand (previous year: CHF 1'580 thousand).

5 TRADE RECEIVABLES

Trade receivables are value adjusted as follows:

CHF thousand/31.03.	2014/15	2015/16
Trade receivables, gross	28'217	52'679
Individual value adjustments	0	0
Overall value adjustments	–38	–66
Trade receivables, net	**28'179**	**52'613**

Trade receivables are allocated to the following currencies:

CHF thousand/31.03.	2014/15	2015/16
CHF	21'067	44'878
EUR	6'932	6'835
USD	180	900
Trade receivables, net	**28'179**	**52'613**

Trade receivables are allocated to the following regions:

CHF thousand/31.03.	2014/15	2015/16
Switzerland	8'940	17'391
Northern Europe	8'087	18'424
Southern Europe and others	6'714	6'652
America	3'973	10'083
Asia	465	63
Trade receivables, net	**28'179**	**52'613**

Value adjustments on trade receivables have changed as follows:

CHF thousand	2014/15	2015/16
Individual value adjustments		
Balance 01.04.	0	0
Increase (decrease)	0	0
Balance 31.03.	**0**	**0**

CHF thousand	2014/15	2015/16
Overall value adjustments		
Balance 01.04.	34	38
Increase (decrease)	4	28
Balance 31.03.	**38**	**66**

At the balance sheet date, as in the previous year, there were no individual value adjustments. Furthermore, no loss of receivables had to be recorded in the reporting year 2015/16 and the previous year.

At the balance sheet date, the aging structure of trade receivables which are not subject to individual value adjustments was as follows:

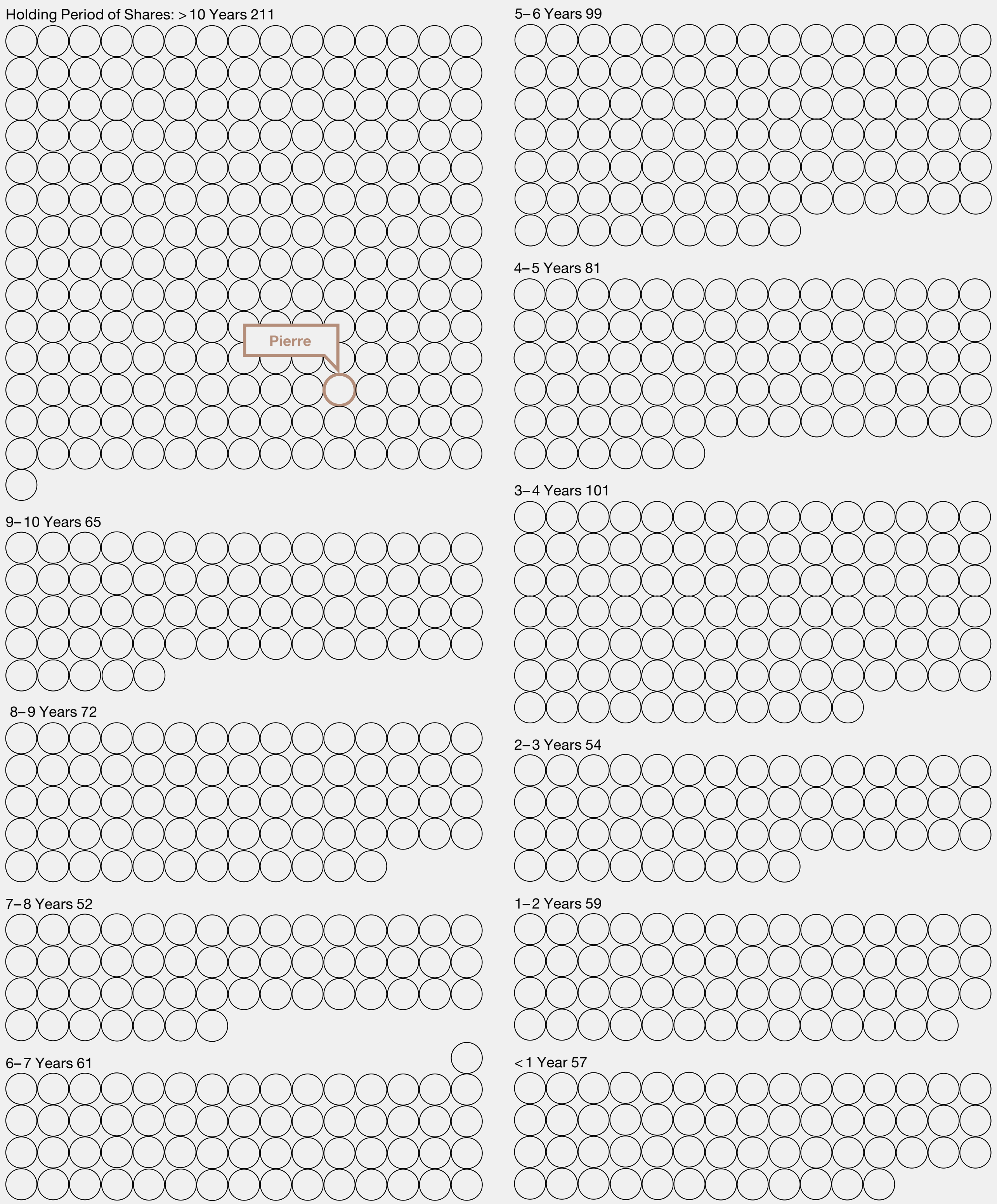
		Receivables	Value adjustments	Receivables	Value adjustments
CHF thousand/31.03.		2014/15	2014/15	2015/16	2015/16
	Not yet due	25'116	0	52'390	0
	1 to 30 days overdue	3'090	38	147	34
	31 to 60 days overdue	11	0	10	2
	61 to 90 days overdue	0	0	0	0
	More than 90 days overdue	0	0	132	30
	Total	**28'217**	**38**	**52'679**	**66**

The receivables which are not due and which are not subject to individual value adjustments are mainly receivables arising from long-standing customer relationships. Based on past experience, DOTTIKON ES Group does not anticipate any significant defaults.

6 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

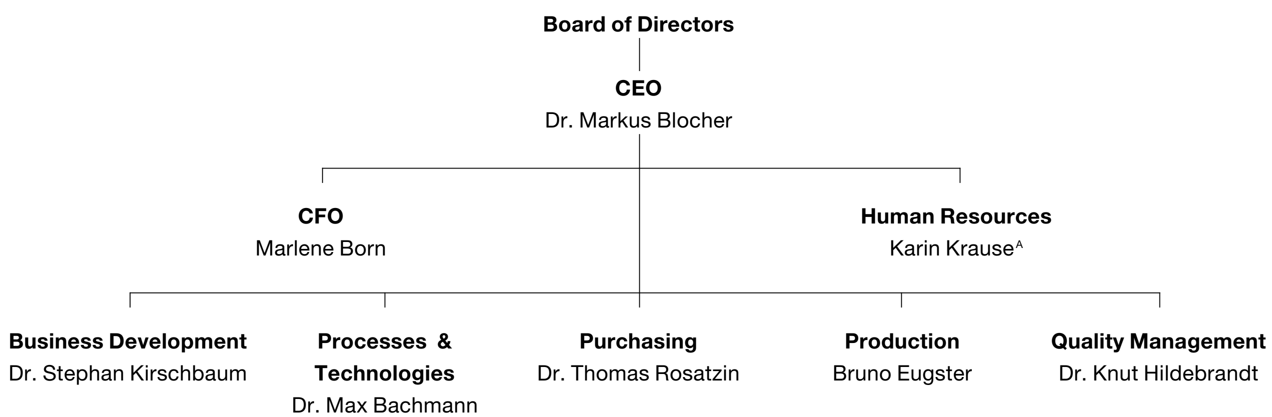
The Group Financial Statements were approved for issue by the Board of Directors on May 13, 2016. They are subject to approval by the Annual General Meeting. No significant events have occurred between March 31, 2016, and May 13, 2016, that would require an adjustment of the Group's carrying amounts of assets and liabilities or that would need to be disclosed under this heading.

Our Shareholders are Loyal



Corporate Governance

Corporate Governance (condensed)



[A] Since November 2015, not a member of the Senior Management

GROUP STRUCTURE AND SHAREHOLDERS

Group structure

DOTTIKON ES Group manufactures high-quality performance chemicals, intermediates and exclusive active pharmaceutical ingredients (APIs) for the world's leading chemical and pharmaceutical industry. DOTTIKON ES Group is specialized in hazardous reactions and is positioning itself as strategic development and manufacturing partner. DOTTIKON ES Group uses its versatile technology and equipment portfolio to design, develop and optimize chemical processes, and scale up from kilograms to multi-tons.

The operating management structure of the Group is organized by functions according to the illustration on the left.

DOTTIKON ES HOLDING AG, holding company of DOTTIKON ES Group, has its domicile in Dottikon and is listed at the SIX Swiss Exchange (DESN; security number 2073900; ISIN CH0020739006). The share capital amounts to CHF 127'264.40 as of March 31, 2016 (previous year as of March 31, 2015: CHF 127'264.40). The market capitalization as of March 31, 2016, is CHF 336'932'499 (previous year: CHF 251'983'512). As in the previous year, there are no further listed companies in the Group.

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/process development, manufacturing, 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, as well as review and assessment to evaluate their strategies
- DOTTIKON ES AMERICA, Inc.
  Domicile in Delaware USA/share capital CHF 0
  Investment share of 100 percent/fully consolidated
  Branch/purpose: chemicals/business development, marketing, and consulting services for investment companies
- SYSTAG, System Technik AG
  Domicile in Rüschlikon/share capital CHF 410'000
  Investment share of 47.1 percent/equity method
  Branch/purpose: automated process technology/development and manufacturing of integrated solutions for automated chemical process development

Significant shareholders

The following shareholders hold more than 3 percent of the registered share capital:

In % of total share capital of DOTTIKON ES HOLDING AG	31.03.2015	31.03.2016
Markus Blocher, Wollerau[A]	72.0	72.6
Peter Grogg, Hergiswil NW[B]	7.0	7.0
Miriam Baumann-Blocher, Rheinfelden	5.1	5.1
UBS Fund Management (Switzerland) AG, Basel	4.8	4.8

[A] Thereof 54.4% (previous year: 53.8%) through EVOLMA Holding AG, Wollerau
[B] Through Ingro Finanz AG, Bubendorf

Participations of members of the Board of Directors, Senior Management or persons related to them

Members of the Board of Directors and Senior Management as well as their related parties hold the following registered shares of DOTTIKON ES HOLDING AG as of March 31, 2016 (previous year: March 31, 2015):

Participations of members of the Board of Directors and Senior Management	Number of registered shares 31.03.2015	Number of registered shares 31.03.2016
Markus Blocher[A] Chairman of the Board of Directors CEO/Managing Director	916'904	923'662
Thomas Früh Deputy Chairman of the Board of Directors non-executive	50	50
Alfred Scheidegger Member of the Board of Directors non-executive	5	25
Marlene Born CFO	852	723
Emanuel Tschannen[B] Head of Legal & Human Resources	291	–
Stephan Kirschbaum Head of Business Development	765	912
Max Bachmann Head of Processes & Technologies	591	762
Thomas Rosatzin[C] Head of Purchasing	0	106
Bruno Eugster Head of Production	395	450
Knut Hildebrandt Head of Quality Management	1'066	1'163
Total members of the Board of Directors and Senior Management	**920'919**	**927'853**

[A] Thereof 691'733 registered shares (previous year: 685'236 registered shares) through EVOLMA Holding AG, Wollerau
[B] Until June 2015; there were no participation positions to be disclosed as of March 31, 2016
[C] Since April 2014

BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS OF DOTTIKON ES HOLDING AG As of March 31, 2016

Name	Nationality	Born	Position	Title	Term of office
Markus Blocher	Swiss	1971	Chairman, executive[A]	Dipl. Chem. ETH, Dr. sc. nat. ETH	2010–2016
Thomas Früh	Swiss	1957	Deputy Chairman, non-executive	Dipl. Chem. ETH, Dr. sc. nat. ETH	2012–2016
Alfred Scheidegger	Swiss	1957	Member, non-executive	Dr. phil. II	2011–2016

[A] CEO/Managing Director

Markus Blocher

Professional background/career

Since 2012	Chairman of the Board of Directors of DOTTIKON ES HOLDING AG
2010–2012	Member of the Board of Directors of DOTTIKON ES HOLDING AG
Since 2003	CEO of today's DOTTIKON ES Group[A]
2002–2003	Responsible for special projects in the EMS Group
2000–2002	Consultant for McKinsey&Company, Zurich

[A] See Notes "Senior Management"

Other activities and binding interests

- Chairman of the Board of Directors of EVOLMA Holding AG
- Deputy Chairman of the Board of Directors of SYSTAG, System Technik AG and frugan Holding AG as well as of its subsidiaries agrofrucht-Inn AG, agrocult AG, and cultivport AG
- President of the foundation board of the pension plan of DOTTIKON ES Group and of the social welfare foundation of DOTTIKON EXCLUSIVE SYNTHESIS AG

Thomas Früh

Professional background/career

Since 2012	Deputy Chairman of the Board of Directors of DOTTIKON ES HOLDING AG
Since 2012	CEO of Bachem Group and Bachem Holding AG
2001–2012	COO of Bachem AG, Switzerland
1998–2000	COO of Bachem Bioscience, Inc., King of Prussia, Pennsylvania USA
1997–1998	Head of Production Department, Bachem AG, Switzerland
1994–1997	Department Head Crop Protection Research, Ciba, Basel
1990–1994	Project Leader Pharma Research Ciba, Japan

Other activities and binding interests

- Board member of the business association scienceindustries

Alfred Scheidegger

Professional background/career

Since 2011	Member of the Board of Directors of DOTTIKON ES HOLDING AG
Since 1998	Founder and CEO of Nextech Invest AG
1995–1998	Administrative Director and member of the Board of ETH Zurich
1992–1995	CEO Swiss Scientific Computing Center (CSCS), Manno
1987–1991	Project Leader Ciba-Geigy in Basel and Japan

Other activities and binding interests

- Chairman of the Board of Directors of Nextech Holding AG and Nextech Invest AG
- Member of the Board of Directors of Nextech III GP AG and until March 2016 of ImVisioN Therapeutics Holding AG in liquidation

The two members of the Board of Directors, Thomas Früh and Alfred Scheidegger, did not have any executive function within the DOTTIKON ES Group in the past three years before the reporting year 2015/16. Neither of them nor any related party had significant business relations with DOTTIKON ES Group in the past years since being elected to the Board of Directors of DOTTIKON ES HOLDING AG.

In the previous year 2014/15, DOTTIKON EXCLUSIVE SYNTHESIS AG and Bachem AG signed a cooperation agreement for the development, manufacturing, and distribution of amino acids and their derivatives. Despite personnel relations with DOTTIKON EXCLUSIVE SYNTHESIS AG, Bachem AG is not qualified as a related party. To provide higher transparency, the cooperation agreement is disclosed under this heading.

The composition of the Board of Directors of DOTTIKON EXCLUSIVE SYNTHESIS AG and DOTTIKON ES MANAGEMENT AG is the same as the composition of DOTTIKON ES HOLDING AG.

SENIOR MANAGEMENT

MEMBERS OF THE SENIOR MANAGEMENT OF DOTTIKON ES GROUP As of March 31, 2016

Name	Nationality	Born	Function	Title	Member since
Markus Blocher	Swiss	1971	CEO/Managing Director	Dipl. Chem. ETH, Dr. sc. nat. ETH	2003
Marlene Born	Swiss	1975	CFO	Eidg. dipl. Expertin in Rechnungslegung/Controlling	2006
Stephan Kirschbaum	German	1967	Head of Business Development	Dipl. Chem., Dr. rer. nat.	2010
Max Bachmann	Swiss	1954	Head of Processes & Technologies	Dipl. Chem. ETH, Dr. sc. nat. ETH	1999
Thomas Rosatzin	Swiss	1962	Head of Purchasing	Dipl. mikrobiol., Dr. sc. nat. ETH, MBA	2014
Bruno Eugster	Swiss	1955	Head of Production	Chemiker HTL	1997
Knut Hildebrandt	German	1958	Head of Quality Management	Dipl. Chem., Dr. rer. nat.	1999

Markus Blocher

Professional background/career

Since 2003	CEO of today's DOTTIKON ES Group
2002–2003	Responsible for special projects in the EMS Group
2000–2002	Consultant for McKinsey&Company, Zurich
1997–2000	Scientist and doctorate at ETH Zurich

Other activities and binding interests

- Chairman of the Board of Directors of DOTTIKON ES HOLDING AG (see Notes "Board of Directors")
- CEO of DOTTIKON EXCLUSIVE SYNTHESIS AG, DOTTIKON ES HOLDING AG, and DOTTIKON ES MANAGEMENT AG
- Chairman of the Board of Directors of EVOLMA Holding AG
- Deputy Chairman of the Board of Directors of SYSTAG, System Technik AG and frugan Holding AG as well as of its subsidiaries agrofrucht-Inn AG, agrocult AG, and cultivport AG
- 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

Professional background/career

Since 2006	CFO of DOTTIKON ES Group
2005–2006	Controller at DOTTIKON ES Group
2000–2005	Head of Accounting of Migros Verteilzentrum Suhr AG, Suhr
2000	Controller at ABB Normelec, Zurich
1995–2000	Accountant at Treuhandbüro Deragisch, Baden

Other activities and binding interests

- Member of the Senior Management of DOTTIKON EXCLUSIVE SYNTHESIS AG, DOTTIKON ES HOLDING AG, and DOTTIKON ES MANAGEMENT AG
- Member of the foundation board of the pension plan of DOTTIKON ES Group
- Vice president of the social welfare foundation of DOTTIKON EXCLUSIVE SYNTHESIS AG

Stephan Kirschbaum

Professional background/career

Since 2009	Head of Business Development of DOTTIKON ES Group
2005–2009	Head of Strategic Projects and Head of Management Support HR&E in Wealth Management & Swiss Bank for UBS AG, Zurich
1999–2005	Consultant and Engagement Manager for McKinsey&Company, Munich DE
1997–1999	Research Scientist at University of California, Santa Barbara USA
1994–1997	Doctorate at University of Karlsruhe DE

Other activities and binding interests

- Member of the Senior Management of DOTTIKON EXCLUSIVE SYNTHESIS AG
- Chairman of the Board of Directors and CEO of DOTTIKON ES AMERICA, Inc.

Max Bachmann

Professional background/career

Since 2009	Head of Processes & Technologies of DOTTIKON ES Group
2003–2009	Head of Business Development of today's DOTTIKON ES Group
1999–2003	Head of Research & Development of today's DOTTIKON ES Group
1989–1999	Several leading positions at today's DOTTIKON ES Group, lastly Head of Production Facilities

Other activities and binding interests

- Member of the Senior Management of DOTTIKON EXCLUSIVE SYNTHESIS AG and DOTTIKON ES MANAGEMENT AG

Thomas Rosatzin

Professional background/career

Since 2014	Head of Purchasing of DOTTIKON ES Group
2007–2013	CEO of RohnerChem (Rohner AG), Pratteln
2005–2007	COO of Inducher AG, Volketswil
2001–2005	Head Product Line Management at UNAXIS/ESEC, Steinhausen
1995–2001	Business Unit Manager Paper Processing Chemicals at Dr. W. Kolb AG, Hedingen

Other activities and binding interests

- Member of the Senior Management of DOTTIKON EXCLUSIVE SYNTHESIS AG

Bruno Eugster

Professional background/career

Since 1999	Head of Production of today's DOTTIKON ES Group
1997–1999	Head of Technical Services of today's DOTTIKON ES Group
1979–1997	Several leading positions at today's DOTTIKON ES Group, lastly Head of Production Facilities

Other activities and binding interests

- Member of the Senior Management of DOTTIKON EXCLUSIVE SYNTHESIS AG
- Member of the Board of Directors of Messer Schweiz AG
- Member of the Board of the Chamber of Aargauische Industrie- und Handelskammer (AIHK), therein president of the section Freiamt

Knut Hildebrandt

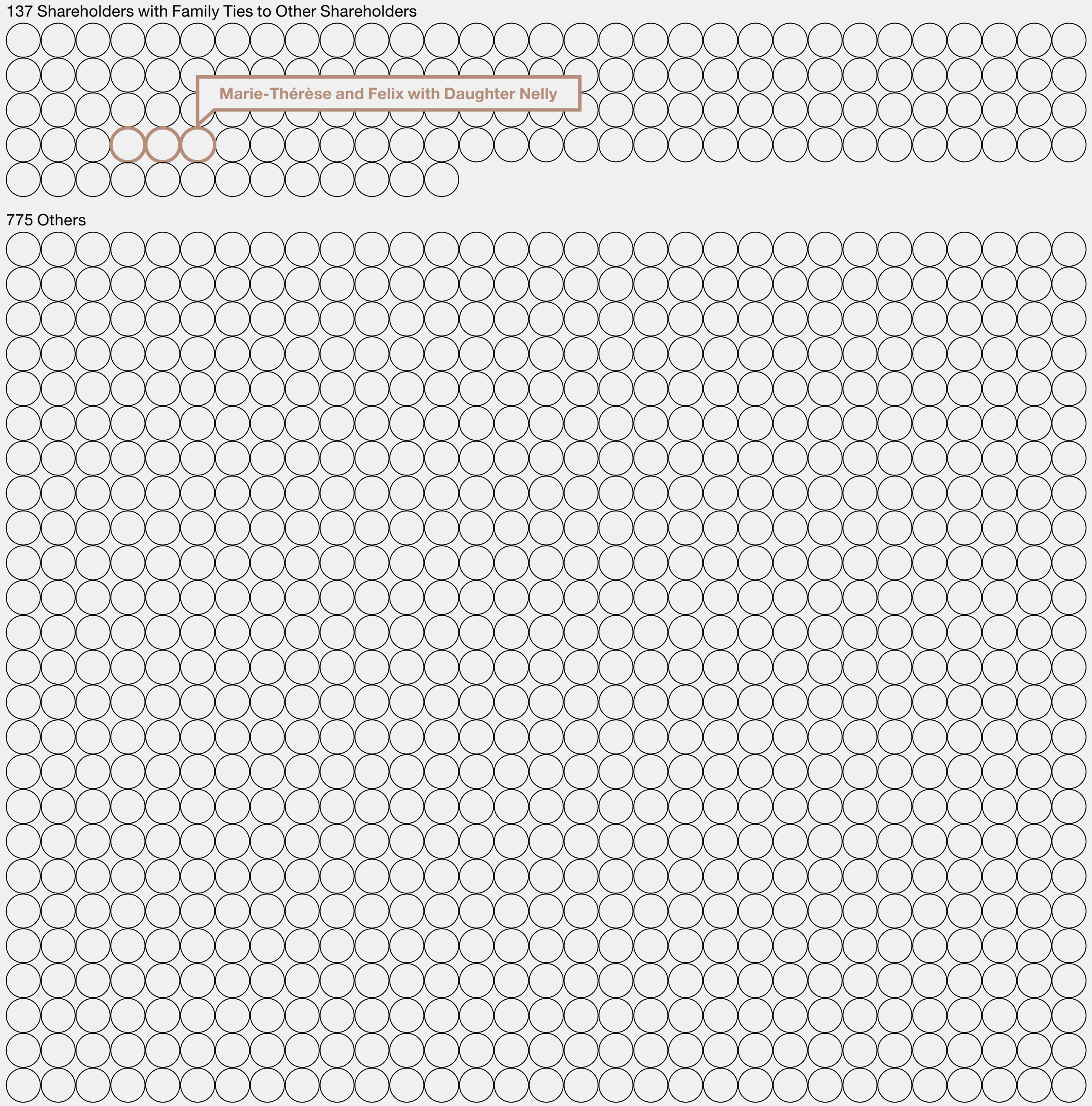
Professional background/career

Since 1999	Head of Quality Management of today's DOTTIKON ES Group
1989–1999	Several leading positions at today's DOTTIKON ES Group, lastly Project Manager Production

Other activities and binding interests

- Member of the Senior Management of DOTTIKON EXCLUSIVE SYNTHESIS AG

Our Shareholders are Related



Investor Relations

Annual General Meeting for the Business Year 2015/16
July 1, 2016

Issue Half-Year Report 2016/17
November 25, 2016

Issue Annual Report 2016/17
May 30, 2017

Annual General Meeting for the Business Year 2016/17
July 7, 2017

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

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
Marlene Born, CFO
investor-relations@dottikon.com

DOTTIKON ES manufactures high-quality performance chemicals, intermediates and exclusive active pharmaceutical ingredients (APIs) for the world's leading chemical and pharmaceutical industry. The company with its production site in Dottikon (Aargau, Switzerland) is specialized in hazardous reactions and is positioning itself as strategic development and manufacturing partner. Its safety culture created over the last 100 years guides innovative use of hazardous reactions, low-temperature and high-pressure chemistry, as well as continuous processing. This shortens conventional chemical synthesis routes, increases yields, selectivities and purities, and reduces waste. The versatile technology and equipment portfolio is used to design, develop and optimize chemical processes, and scale up from kilograms to multi-tons.
DOTTIKON ES' one-site strategy allows reduced decision and communication pathways. This ensures rapid and efficient project development as well as clear and transparent communication with customers.

IMPRESSUM
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Jos Schmid
www.josschmid.com

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www.raffinerie.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