

2016/17 Condensed Annual Report

Your Specialist
for Hazardous
Reactions.

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Dear Shareholder,

Herewith we present to you DOTTIKON ES Group's Condensed Annual Report 2016/17 for the period from April 1, 2016, to March 31, 2017. Net sales increased by 25 percent to CHF 151.7 million in the reporting year. Existing projects were further developed and represented a significant and broad-based growth factor. As a result, at CHF 22.2 million, net income was 55 percent higher than in the previous year despite extraordinary effects of around CHF 5 million. We dedicate this Annual Report to our employees, who materialized this growth.

Assessment of situation

The geopolitical risks continue to rise and the global economic uncertainties persist despite an improvement in short-term forecasts. Amid increasing uncertainties and ongoing regionalization, values such as trust, reliability, and consistency – along with cultural and geographical proximity – continue to gain importance. 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 in the context of globalization have ultimately resulted in a negligence of product innovation by many companies. The consolidation aimed at defending monopoly premiums continues in many industries. Regionalization has given rise to a tripolar world order centered on the United States, Russia, and China, who gradually extend their power and influence. The unpredictability of the new US president and his administration has so far had a disciplinary effect on Russia's and China's

governments as well as on smaller potential troublemakers. Economic and fiscal conflicts, proxy wars, and military provocation at the borders of these areas of influence continue to increase. Europe still lacks direction, is crumbling, and feels intense pressure from ongoing migration flows. Potentates exploit this changing, multipolar environment marked by short-term power vacuums to strengthen their position and build autocratic structures. Military rearmament efforts are on the rise around the globe. In order to obtain geopolitical security and secure a future Europe without wars, it will be of essence whether the Western alliance acts as one and reinforces its military capability.

Global economic growth remained tepid in the reporting period. The US labor market is close to full employment, and with inflation approaching the Fed's target, the first interest rate hikes have been applied. In the short run, a slight economic upturn is largely expected. Europe, Japan, and China all show satisfactory growth rates. Industrial activity and international trade have picked up. This notwithstanding, the medium to long-term economic growth rates are subject to considerable risks, with emerging trade wars based on intensified protectionism in advanced economies representing a major risk factor. This situation jeopardizes the current international trade policy based on a benevolent attitude among the countries and built over decades, originally created in an effort of pure reason against the backdrop of painful suffering after the end of World War II. The short-term allure to get rid of current problems by opting for simple-minded, cosmetic, and protectionist measures to the detriment of the long-term future is dangerous and not sustainable. The necessary – although not very popular – reforms to promote growth in the long run are deferred. The main problems must be addressed urgently: (i) the sharp increase in social spending and subsidies resulting in high government debt; (ii) excessive reg-

ulation based on individual interests; (iii) the ailing educational system with unequal opportunities and a lack of neutral and independent knowledge transfer and enhancement; and (iv) the threats to safety and freedom due to terrorism, digital surveillance, and crime. These problems intensify social and political tension. Procrastinating the implementation of reforms and opting for harmful overregulation inevitably lead to corruption, abuse of power, and one-sided enrichment. Once the critical level is exceeded, social turmoil culminating in revolution with all its suffering and chaos is a likely consequence.

To avert this outcome, we need more selfless leaders with integrity, long-term visions, strength of implementation, and stamina. We need more entrepreneurship and less management. We need people who take responsibility and create value rather than those who skim these values off. We need to give more room to federalism and competition in order to pave the way for long-term innovation and prosperity.

Contrary to the monotonous and unchallenged international pabulum harmonization, healthy competition is an incentive in its own right. The goals are more innovation and higher productivity with simple rules in an environment marked by individual responsibility, an education based on equal opportunities with the promotion of individuals with strong practical and mental capabilities, demanding and encouraging adaptability, as well as the protection of and respect for property.

The demographic trend continues to ensure further long-term volume growth in the pharmaceutical market. The average life expectancy is estimated to increase by another year until 2020, which will propel the number of people who are over 65 years of age by 8 percent to more than 600 million. 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. In combination with cheap capital, state-imposed efforts to curb health care costs via measures to boost the market penetration of generics and to accelerate the market approval of novel drugs are key innovation drivers. With its market share in excess of 40 percent and still little regulation on drug pricing, the US market plays an important role in supporting the outlook for fast and high profits with innovative drugs. With 258 applications and 225 resulting market approvals from 2010 to 2016, the United States introduced the highest number of new drugs to the market. While the United States only approved 22 (previous year: 45) new drugs (15 small molecules and 7 biologics) in 2016, the current year shows a welcome uptrend: From January to April 2017, the number of FDA new drug approvals reached 18 already. Profitability mainly stems from specialty drugs, an area that saw annual growth rates of 13 percent globally since 2011, with the United States (53 percent), Germany, Great Britain, France, Spain, and Italy (EU5, 19 percent), and Japan (7 percent) representing 79 percent of the overall market. In the specialty market, small molecules – an area in which DOTTIKON ES is active – are regaining market share from the biologics sector. The pharma specialty sales share of small molecules rose from 42 percent in 2011 to 47 percent in 2016. In the global pharma specialty pipeline from the preclinical stage to registration, a staggering 57 percent of a total of over 5'000 drug candidates are small molecules. While patent expiries threaten roughly CHF 140 billion of global pharma sales over the next five years, the US pharmaceutical drugs market is expected to show annual growth rates of around 8 percent until 2020, with the global pharmaceutical market set to rise by around 5 percent annually. On a currency-adjusted basis, the growth rates of developed and emerging pharma markets (phar-

merging markets) show comparable growth rates. Despite growth in local currency, these markets have declined sharply from a USD point of view due to their weak currencies. In terms of volumes, pharmerging markets dominate the market with 50 percent, with China representing half of this figure. The United States only represent a share of 8 percent. In terms of sales, however, the United States are in the lead, with a 65 percent share in the top-20 products with more interesting margins. The pharmerging markets, in contrast, only represent 4 percent of sales. With a market share of 31 percent in the lower-margin generics market, pharmerging markets are inching closer to the United States' 37 percent market share.

With rising government debt and health care cost growth that continually beats GNP growth, there is a call for more drug price transparency, which mounts pressure on pharma prices. The consolidation of pharma distributors and the pooling of medication requirements for large groups of insured persons have resulted in a rise in average discounts granted for US pharma list prices every year since 2008. At 36 percent, discounts for small molecules rose by 6 percentage points in 2015, while discounts for biologics stood at 29 percent, an increase of 5 percentage points. At annual growth rates of 16 percent from 2013 to 2015, the overall US pharma gross sales (before discounts), however, continued to rise much more strongly than the discount volumes, which only grew by 10 percent per year.

Threats to this very promising outlook of the pharmaceutical market are the introduction of strict price regulation in the United States, swift interest rate hikes that would reduce capital inflow into innovative biotech companies, or adverse events associated with fast-track market approvals and inadequate safety tests, which would result in stricter approval requirements and hence in market entry delays.

This positive development of the pharma market in combination with the mechanistic changes in the manufacturing supply chain of active pharmaceutical ingredients 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.

The last few years showed that chemical manufacturers in Asia often failed to live up to the high pharma quality requirements. In addition, making up for the deferred synthesis route selection and subsequent chemical process development amid fast-track development projects (73 percent of all US market approvals in 2016) became a key success factor. Among the 12 complete response letters issued by the FDA in 2016 for APIs that were not approved, 40 percent were linked to problems in API manufacturing. Given that many pharmaceutical companies had drastically reduced their own chemical development capacity years ago, such key tasks are now increasingly outsourced to the few remaining reliable, trustworthy, and established strategic development and manufacturing partners that are able to deliver the required quality. The market for outsourced API manufacturing is expected to grow at an annual rate of 7 percent, with the current outsourcing share estimated at 25 percent. Given that the manufacturing of biologics is more demanding in terms of quality than that of small molecules, many pharmaceutical companies have repurposed their small molecule plants for the manufacturing of biologics or have built capital-intensive new buildings for biologics. In contrast, the manufacturing of small molecules is increasingly outsourced. As a result, today as in the future, small molecules dominate the market of outsourced API manufacturing with a market share of around 80 percent. Despite the pharma exclusive synthesis market consolidation seen over the last few years, this market remains fragmented, with the key players only amassing a market share of less than 5 percent each.

In API outsourcing, pharmaceutical companies prefer partners that are able to provide the full range of services from chemical synthesis routefinding, the development of chemical processes and analytical methods to multi-step API manufacturing, 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 manufacturing of APIs. In addition, pharmaceutical companies are interested in maintaining a very limited number of interfaces and cooperate with a select group of strategic partners throughout all stages from development up to market introduction and supply.

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, as well as the increasing outsourcing of small molecule API manufacturing and the common lack of process development and manufacturing experience and capacity among biotech and pharma 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 few years: With this business area having been unattractive over the last few years, many of the former cGMP customer synthesis providers have exited this field or are, based on the crucial experiences 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 reporting year, net sales increased by 25 percent to CHF 151.7 million. The growth was purely organic, i.e. without any acquisitions of business units, and was 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 6.6 percent and made up 9.4 percent of net sales in the reporting period. Despite a significant net sales increase, the product mix containing more added value and the decrease in inventory in semi-finished and finished goods resulted in a 3.3 percent decrease in material expenses. Personnel expenses were down by 0.7 percent despite a 9.9 percent increase in the average workforce. An extraordinary financial accounting income of around CHF 6 million related to IAS 19 due to the reduction of the technical interest rate and the related conversion rate combined with an increase in savings contributions resulted in a reduction of the defined benefit obligations. According to IFRS, these are fictitiously assigned to the company and had a beneficial one-time effect on the personnel expenses. Other operating expenses rose by CHF 8.4 million compared to the previous period. This was mainly due to environmental provisions for soil rehabilitation (former storage tank area) of CHF 5.6 million and the higher utilization and larger equipment infrastructure that resulted in an increase in repair and maintenance as well as in supplies of CHF 2.8 million. Combined with a CHF 1.0 million increase in capitalized own production related to an increase in investments, EBITDA was around CHF 16.8 million higher than in the previous year and stood at CHF 48.6 million. The EBITDA margin rose to 32.0 percent (previous year: 26.2 percent). Depreciation and amortization rose by CHF 6.7 million mainly due to value adjustments on

rectification plants with a view to the closure of the solvent recycling business for third parties and infrastructure. Operating income was CHF 26.7 million (previous year: CHF 16.6 million), and net income was CHF 22.2 million (previous year: CHF 14.3 million). The EBIT margin rose to 17.6 percent (previous year: 13.7 percent), and the net income margin was 14.6 percent (previous year: 11.8 percent). At CHF 57.0 million, cash flow from operating activities was clearly higher than in the previous year. Combined with an increase of CHF 14.5 million in investments for property, plant and equipment as well as in intangible assets, cash and cash equivalents and fixed deposits rose to CHF 50.7 million at the end of the reporting period (previous year: CHF 21.6 million). This will be used to finance the ongoing increase in investments. The equity ratio remains at a solid 81.8 percent.

KEY FIGURES, APRIL–MARCH			
CHF million	2015/16	2016/17	Changes
Net sales	121.4	151.7	25.0%
EBITDA	31.8	48.6	52.7%
EBITDA margin (in % of net sales)	26.2%	32.0%	
EBIT	16.6	26.7	60.5%
EBIT margin (in % of net sales)	13.7%	17.6%	
Net income	14.3	22.2	55.3%
Net income margin (in % of net sales)	11.8%	14.6%	
Operating cash flow	5.9	57.0	862.1%
Employees (FTE, annual average)	495	544	9.9%

Outlook

In the current pharmaceutical environment described above, DOTTIKON ES remains well positioned amid the ongoing expansion of process development capacities over the last years as well as the large-scale investments in further capacity expansion concluded or initiated in the reporting year 2016/17. The corporate strategy – strategic partner and specialist for hazardous reactions – is reaffirmed: 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 is achieved. For this purpose, capacity utilization of the existing infrastructure will be increased. In order to achieve the expected net sales growth in the medium term, new laboratory and office facilities as well as a raw material, intermediate material and API warehouse will be built and the API drying capacities will be expanded. In addition, the planning and engineering phases for a further expansion of the chemical multipurpose production capacities are continued. Against this background, investments will rise substantially in the current and the following few years. Respective external financing options are in evaluation.

We continue to focus on safety, reliability, high flexibility, and speed and are thus strengthening our position as strategic development and manufacturing partner.

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 develops new own innovative products to satisfy currently unmet market needs and bring them closer to market readiness.

Against the background of the described positive outlook 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 2017/18 compared to the previous year.

Dottikon, May 17, 2017



Dr. Markus Blocher
Chairman of the Board of Directors

Group Financial Statements DOTTIKON ES Group

Consolidated Income Statements

April–March
CHF thousand and %
(condensed)

	Notes	2015/16	%	2016/17	%
Net sales	(1)	121'433	100.0	151'748	100.0
Changes in semi-finished and finished goods		6'704		–925	
Other operating income		3'133		4'212	
Material expenses		–29'565		–28'570	
Personnel expenses	(2)	–53'701		–53'310	
Other operating expenses		–16'192		–24'581	
EBITDA		31'812	26.2	48'574	32.0
Depreciation and amortization	(5, 6)	–15'183		–21'877	
EBIT		16'629	13.7	26'697	17.6
Financial income		268		598	
Financial expenses		–264		–449	
Financial result		4		149	
Result from associated companies		509		–38	
Net income before taxes		17'142	14.1	26'808	17.7
Income taxes		–2'870		–4'649	
Net income		14'272	11.8	22'159	14.6
Basic/diluted earnings per share in CHF		11.44		17.74	
Weighted average number of shares		1'247'362		1'249'050	

Consolidated Statements of Comprehensive Income

April–March
CHF thousand
(condensed)

	2015/16	2016/17
Net income	14'272	22'159
Foreign exchange forwards		
Realized gains (losses) on foreign exchange forwards	–2'001	–697
attributable income taxes	380	129
Changes in fair value of foreign exchange forwards	–329	35
attributable income taxes	65	–6
Items that will be reclassified subsequently to the income statement	–1'885	–539
Employee benefits		
Actuarial gains (losses)	–9'642	–3'154
attributable income taxes	1'793	587
Limitation of the asset ceiling in accordance with IAS 19.64	0	0
attributable income taxes	0	0
Interest on the effect of the asset ceiling	0	0
attributable income taxes	0	0
Items that will not be reclassified subsequently to the income statement	–7'849	–2'567
Other comprehensive income, net of taxes	–9'734	–3'106
Total comprehensive income	4'538	19'053

Consolidated Balance Sheets

CHF thousand and %
(condensed)

	Notes	31.03.2016	%	31.03.2017	%
Cash and cash equivalents		21'603		40'317	
Current financial assets		0		10'404	
Trade receivables	(3)	52'613		43'084	
Income tax receivables		0		3'977	
Other receivables		2'973		2'344	
Inventories	(4)	45'292		45'448	
Current assets		122'481	35.9	145'574	38.3
Property, plant and equipment	(5)	194'392		207'517	
Intangible assets	(6)	682		514	
Investments in associated companies		1'262		1'224	
Pension surplus		22'343		25'684	
Non-current assets		218'679	64.1	234'939	61.7
Assets		341'160	100.0	380'513	100.0
Trade payables		4'970		5'462	
Income tax liabilities		242		0	
Other current liabilities		18'473		29'227	
Current provisions	(7)	0		5'605	
Current liabilities		23'685	6.9	40'294	10.6
Deferred tax liabilities		25'839		29'001	
Non-current liabilities		25'839	7.6	29'001	7.6
Liabilities		49'524	14.5	69'295	18.2
Share capital		127		127	
Share premium		60'713		60'901	
Retained earnings		235'841		254'894	
Own shares		-5'045		-4'704	
Shareholders' equity		291'636	85.5	311'218	81.8
Shareholders' equity and liabilities		341'160	100.0	380'513	100.0

Consolidated Cash Flow Statements

April–March
CHF thousand
(condensed)

	Notes	2015/16	2016/17
Net income		14'272	22'159
Income taxes		2'870	4'649
Financial result		-4	-149
Depreciation of property, plant and equipment	(5)	14'999	21'641
Amortization of intangible assets	(6)	184	236
Result from associated companies		-509	38
Other non-cash income and expenses		990	-5'201
Interest received		0	8
Interest paid		-11	-19
Income taxes paid		-414	-4'996
Changes in			
Trade receivables		-24'284	9'777
Other receivables		380	-773
Inventories	(4)	-5'095	-156
Trade payables		-747	145
Other current liabilities		3'296	4'057
Current provisions		0	5'605
Cash flow from operating activities		5'927	57'021
Outflows of			
Current financial assets		0	-11'384
Property, plant and equipment	(5)	-13'280	-27'852
Intangible assets	(6)	-127	-88
Inflows of			
Current financial assets		0	1'015
Property, plant and equipment	(5)	13	12
Intangible assets	(6)	0	0
Cash flow from investing activities		-13'394	-38'297
Dividends paid		0	0
Purchase of own shares		0	0
Disposal of own shares		0	0
Cash flow from financing activities		0	0
Currency translation effect on cash and cash equivalents		-5	-10
Net change in cash and cash equivalents		-7'472	18'714
Cash and cash equivalents at the beginning of the reporting period		29'075	21'603
Cash and cash equivalents at the end of the reporting period		21'603	40'317

Consolidated Statements of Changes in Equity

CHF thousand
(condensed)

^ Changes in own shares in the reporting year 2016/17:
disposal of 1'702 shares within the shareholding program for employees
(previous year: disposal of 1'863 shares within the shareholding program
for employees)

	Share capital	Share premium	Changes in fair value of foreign exchange forwards	Other retained earnings	Own shares^	Shareholders' equity
Balance 01.04.2015	127	60'706	2'476	228'827	-5'418	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	591	235'250	-5'045	291'636
Balance 01.04.2016	127	60'713	591	235'250	-5'045	291'636
Net income				22'159		22'159
Foreign exchange forwards						
Realized gains (losses) on foreign exchange forwards			-697			-697
Changes in fair value of foreign exchange forwards			35			35
Employee benefits						
Actuarial gains (losses)				-3'154		-3'154
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			123	587		710
Other comprehensive income, net of taxes			-539	-2'567		-3'106
Total comprehensive income			-539	19'592		19'053
Dividends paid						0
Changes in own shares		188			341	529
Balance 31.03.2017	127	60'901	52	254'842	-4'704	311'218

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	2015/16	2016/17
Pharma Products	108'929	135'170
Performance Chemicals	8'950	12'773
Recycling & Waste Treatment	3'554	3'805
Net sales	121'433	151'748

Net sales by regions:

CHF thousand/April–March	2015/16	2016/17
Switzerland	38'410	35'945
Northern Europe	36'020	71'121
Southern Europe and others	18'414	9'155
America	23'710	30'814
Asia	4'879	4'713
Net sales	121'433	151'748

Share of sales by customers:

CHF thousand/April–March	2015/16	2016/17
Customers with more than 10% of net sales^	50'623	55'072
Customers with less than 10% of net sales	70'810	96'676
Net sales	121'433	151'748

^ Reporting year 2016/17: two customers with more than 10% of net sales
(previous year: three customers)

2 PERSONNEL EXPENSES

CHF thousand/April–March	2015/16	2016/17
Wages and salaries	46'138	51'077
Employee benefits ^A	2'873	–2'819
Social security	3'879	4'307
Other personnel expenses	811	745
Personnel expenses	53'701	53'310

^A Reporting year 2016/17: includes a curtailment effect in the amount of CHF 6'056 thousand in accordance with IAS 19 "Employee Benefits" as a result of the reduction of the technical interest rate and the conversion rate combined with an increase in employer and employee savings contributions on equal terms as of January 1, 2017

3 TRADE RECEIVABLES

Trade receivables are value adjusted as follows:

CHF thousand/31.03.	2015/16	2016/17
Trade receivables, gross	52'679	43'135
Individual value adjustments	0	0
Overall value adjustments	–66	–51
Trade receivables, net	52'613	43'084

Trade receivables are allocated to the following currencies:

CHF thousand/31.03.	2015/16	2016/17
CHF	44'878	42'389
EUR	6'835	470
USD	900	225
Trade receivables, net	52'613	43'084

Trade receivables are allocated to the following regions:

CHF thousand/31.03.	2015/16	2016/17
Switzerland	17'391	10'532
Northern Europe	18'424	25'917
Southern Europe and others	6'652	217
America	10'083	6'401
Asia	63	17
Trade receivables, net	52'613	43'084

Value adjustments on trade receivables have changed as follows:

CHF thousand	2015/16	2016/17
Individual value adjustments		
Balance 01.04.	0	0
Increase (decrease)	0	0
Balance 31.03.	0	0

CHF thousand	2015/16	2016/17
Overall value adjustments		
Balance 01.04.	38	66
Increase (decrease)	28	–15
Balance 31.03.	66	51

At the balance sheet date, as in the previous year, there were no individual value adjustments. Furthermore, no loss of re-ceivables had to be recorded in the reporting year 2016/17 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.	2015/16	2015/16	2016/17	2016/17
Not yet due	52'390	0	40'550	0
1 to 30 days overdue	147	34	2'331	46
31 to 60 days overdue	10	2	1	0
61 to 90 days overdue	0	0	253	5
More than 90 days overdue	132	30	0	0
Total	52'679	66	43'135	51

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.

4 INVENTORIES

CHF thousand/31.03.	2015/16	2016/17
Raw materials	6'112	8'201
Supplies ^A	6'002	5'036
Trading goods	211	169
Semi-finished goods	14'603	16'699
Finished goods	18'364	15'343
Inventories	45'292	45'448

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

Value adjustments deducted from inventory balances amount to CHF 2'813 thousand (previous year: CHF 3'168 thousand).

5 DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

5 DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT							
	Land	Buildings	Technical plant and machinery	Other property, plant and equipment	Plants under construction	Total	
CHF thousand	Cost						
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	
Balance 01.04.2016	8'699	138'206	316'673	13'762	12'102	489'442	
Additions ^A	0	425	11'269	316	23'549	35'559	
Disposals	0	-697	-4'694	-509	0	-5'900	
Reclassifications	0	3'013	3'005	69	-6'113	-26	
Balance 31.03.2017	8'699	140'947	326'253	13'638	29'538	519'075	
Depreciation, accumulated							
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	
Balance 01.04.2016	0	-73'951	-210'498	-10'601	0	-295'050	
Additions ^B	0	-6'775	-14'273	-593	0	-21'641	
Disposals	0	366	4'272	495	0	5'133	
Reclassifications	0	0	0	0	0	0	
Balance 31.03.2017	0	-80'360	-220'499	-10'699	0	-311'558	
Carrying amounts							
01.04.2015	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	
31.03.2017	8'699	60'587	105'754	2'939	29'538	207'517	

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

^B Reporting year 2016/17: includes an impairment on rectification plants and infrastructure of CHF 5'639 thousand.
The solvent recycling business for third parties will be closed in the second half of the 2017 calendar year

The insurance value of property, plant and equipment amounts to CHF 555'697 thousand (previous year: CHF 530'576 thousand). Capital commitments for property, plant and equipment amount to CHF 12'900 thousand as of March 31, 2017 (previous year: CHF 13'400 thousand). As mentioned in footnote B, property, plant and equipment was impaired by CHF 5'639 thousand in the reporting year 2016/17 (previous year: CHF 0 thousand). No interests were capitalized in the reporting and the previous year.

6 DEVELOPMENT OF INTANGIBLE ASSETS

6 DEVELOPMENT OF INTANGIBLE ASSETS		Software	Total
CHF thousand	Cost		
	Balance 01.04.2015	3'199	3'199
	Additions^	35	35
	Disposals	-24	-24
	Reclassifications	48	48
	Balance 31.03.2016	3'258	3'258
	Balance 01.04.2016	3'258	3'258
	Additions^	42	42
	Disposals	-131	-131
	Reclassifications	26	26
	Balance 31.03.2017	3'195	3'195
	Amortization, accumulated		
	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
	Balance 01.04.2016	-2'576	-2'576
	Additions	-236	-236
	Disposals	131	131
	Reclassifications	0	0
	Balance 31.03.2017	-2'681	-2'681
	Carrying amounts		
	01.04.2015	783	783
	31.03.2016	682	682
	31.03.2017	514	514

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

No development costs were capitalized in the reporting year 2016/17 and the previous year since no capitalization criteria were met. Expenses for research and development of CHF 14'331 thousand (previous year: CHF 13'440 thousand) were charged to the income statement. Capital commitments for intangible assets amount to CHF 36 thousand as of March 31, 2017 (previous year: CHF 15 thousand). There was no impairment on intangible assets in the reporting year 2016/17 and the previous year. No interests were capitalized in the reporting and the previous year.

7 CURRENT PROVISIONS

Environmental provisions for soil rehabilitation (former storage tank area) in the amount of CHF 5'605 thousand were recognized in the reporting year 2016/17 (previous year: CHF 0 thousand).

8 SIGNIFICANT EVENTS AFTER THE
BALANCE SHEET DATE

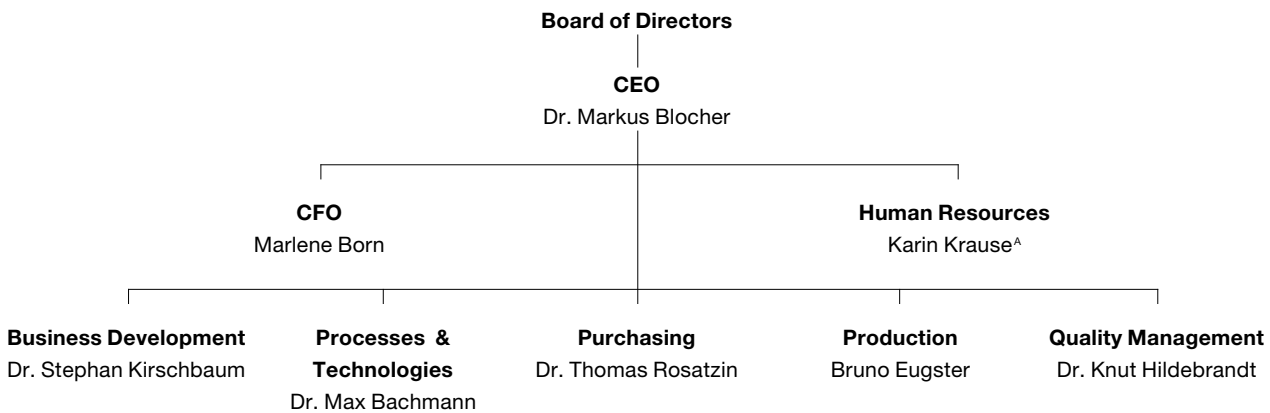
The Group Financial Statements were approved for issue by the Board of Directors on May 17, 2017. They are subject to approval by the Annual General Meeting. No significant events have occurred between March 31, 2017, and May 17, 2017, that would require an adjustment of the Group's carrying amounts of assets and liabilities or that would need to be disclosed under this heading.





Corporate Governance

Corporate Governance (condensed)



^ From April 2017, member of the Senior Management in her current role

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, 2017 (previous year: CHF 127'264.40). The market capitalization as of March 31, 2017, is CHF 831'036'532 (previous year: CHF 336'932'499). 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	31.03.2016	31.03.2017
Markus Blocher, Wollerau [^]	72.6	71.7
Peter Grogg, Hergiswil NW [^]	7.0	7.0
Miriam Baumann-Blocher, Rheinfelden	5.1	5.1
UBS Fund Management (Switzerland) AG, Basel	4.8	4.6

[^] Holds 54.4% (previous year: 54.4%) through EVOLMA Holding AG, Wollerau

[^] 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, 2017 (previous year: March 31, 2016):

Participations of the members of the Board of Directors and Senior Management	Number of registered shares 31.03.2016	Number of registered shares 31.03.2017
Markus Blocher [^] Chairman of the Board of Directors CEO/Managing Director	923'662	912'705
Thomas Früh Deputy Chairman of the Board of Directors non-executive	50	50
Alfred Scheidegger Member of the Board of Directors non-executive	25	5
Marlene Born CFO	723	497
Stephan Kirschbaum Head of Business Development	912	1'056
Max Bachmann Head of Processes & Technologies	762	562
Thomas Rosatzin Head of Purchasing	106	191
Bruno Eugster Head of Production	450	389
Knut Hildebrandt Head of Quality Management	1'163	392
Total members of the Board of Directors and Senior Management	927'853	915'847

[^] Holds 691'733 registered shares (previous year: 691'733 registered shares) through EVOLMA Holding AG, Wollerau

BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS OF DOTTIKON ES HOLDING AG					As of March 31, 2017
Name	Nationality	Born	Position	Title	Term of office
Markus Blocher	Swiss	1971	Chairman, executive [^]	Dipl. Chem. ETH, Dr. sc. nat. ETH	2010–2017
Thomas Früh	Swiss	1957	Deputy Chairman, non-executive	Dipl. Chem. ETH, Dr. sc. nat. ETH	2012–2017
Alfred Scheidegger	Swiss	1957	Member, non-executive	Dr. phil. II	2011–2017

[^] 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 [^]
2002–2003	Responsible for special projects in the EMS Group
2000–2002	Consultant for McKinsey&Company, Zurich

[^] See Notes "Senior Management"

Other activities and binding interests

- Chairman of the Board of Directors of EVOLMA Holding AG
- Chairman (previously: Deputy Chairman) of the Board of Directors of SYSTAG, System Technik AG
- Chairman (previously: Deputy Chairman) of the Board of Directors of 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
- President of the Foundation Board of the foundation SimplyScience (since December 2016)

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
- Director of Nextech Venture (Principals) Limited, Jersey
- Representative of the partner with unlimited liability of Nextech III Oncology Kommanditgesellschaft für kollektive Kapitalanlagen
- Member of the Board of Directors of Cleave Biosciences, Burlingame, CA, USA (since September 2016)
- Member of the Foundation Board of Rising Tide Foundation (from April 2017)

The two members of the Board of Directors, Thomas Früh and Alfred Scheidegger, did not have any executive function with- in the DOTTIKON ES Group in the past three years before the reporting year 2016/17. 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 reporting year 2014/15, DOTTIKON EXCLUSIVE SYN- THESIS 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 MANAGE- MENT 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, 2017
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

- Chairman (previously: Deputy Chairman) of the Board of Directors of SYSTAG, System Technik AG
- Chairman (previously: Deputy Chairman) of the Board of Directors of 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 Induchem 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

Karin Krause

As of April 2017, Karin Krause was appointed as member of the Senior Management of DOTTIKON ES Group in her current role as Head of Human Resources.

Investor Relations

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

Issue Half-Year Report 2017/18
November 28, 2017

Issue Annual Report 2017/18
May 31, 2018

Annual General Meeting for the Business Year 2017/18
July 6, 2018

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

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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.

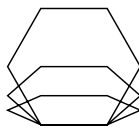
DISCLAIMER

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. The comprehensive Annual Report is available in German. Only the comprehensive German version submitted to the SIX Swiss Exchange is legally binding.

IMPRESSUM

Photography
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