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DOTTIKON ES – Investments, Increased Net Sales and Net Income

Dottikon, Switzerland, May 29, 2009 – SIX-listed DOTTIKON ES HOLDING AG closed its business year 2008/09 on March 31, 2009.

- DOTTIKON ES increased net sales by 5.8% compared to the previous business year, from CHF 142.0 million to CHF 150.3 million and net income by 9.4% from CHF 20.2 million to CHF 22.1 million
- Operating profit EBIT was raised from CHF 21.2 million to CHF 25.9 million due to the higher net sales, enhanced product mix, and the extraordinary effect of a divesture of property. This increased the EBIT margin to 17.2%
- Despite high investments in additional process development and production capacity – of around total internally funded CHF 40 million – liquidity doubled to CHF 30.4 million thanks to efficient cash management
- In the current business year 2009/10, investment in high-quality, technologically advanced capacity expansion will remain at a high level
- Given this continued high level of capital expenditure, the Board of Directors of DOTTIKON ES HOLDING AG will propose to this year's Annual General Meeting that no dividend be paid and that the entire retained earnings be allocated to other reserves

The financial crisis caused manufacturing companies to apply the brakes sharply in the business year under review, provoking extreme turmoil on the commodity markets. This culminated in a near-simultaneous recession in North America, Europe, and Asia. The supposedly stabilizing effect of additional spending commitments made by several governments will need to be countered by measures designed to secure national economic interests and increase government receipts. This will slow globalization, and further increase the degree of regulatory density. The sharp drop in sales at many firms will lead to further reductions in personnel. End-consumer demand is falling as a result. The question of whether the economy will bottom out in 2010 depends on the intensity of the fall in end-consumer demand.
Over the coming four years, pharmaceutical sales of a cumulative USD 120 billion-plus will be almost completely crowded out by generic competitors. The annual number of new drugs licensed for the USA remains low at around 20. Health care costs have increased by more than 6 percent annually over the past 25 years. In the absence of extraordinary measures, this trend will continue unchecked. To quickly stem rising costs, government regulatory authorities are setting their sights on a reduction in drug prices. The resulting pressure on the prices and margins of pharmaceutical and generics companies is resulting in a fusion of their sales strategies. Under the weight of cost pressures, activities and attendant costs are increasingly being switched from early to later clinical development stages. In particular, process development for multiton-scale production – in tandem with efforts to reduce time-to-market – is being deferred.
The credit crunch has also strengthened the negotiating position of pharmaceutical companies blessed with a high cash flow vis-à-vis the biotech firms. Pharmaceutical project pipelines are being re-examined – including from the viewpoint of replacements with or addition of external opportunities. We are consequently seeing acquisitions, as well as cross-licensing and in-licensing deals. This is resulting in a reduction in the number of active projects on the market as a whole, and to higher

process- and quality-related financial risks at the approval and launch stage. Reduced process experience due to delays, additional interfaces and friction losses is increasingly leading to scale-up-related quality problems in the production of active ingredients for market launches, as well as making approval processes more difficult or delaying them.

To meet the expected growth in demand for high-quality, sophisticated process development and exclusive synthesis, DOTTIKON ES continued to expand its process development and production capacity, as well as the quality-related activities, and brought some of these on stream during the past business year. Around CHF 40 million was invested in this capacity expansion. Infrastructure for research and process development was expanded and brought on stream. In medium-scale production, corrosion-resistant Hastelloy hydration and autoclave capacity was expanded and brought on stream, while work also began on the installation of API separator capacity. In large-volume production, DOTTIKON ES expanded its corrosion-resistant glass-lined steel and Hastelloy multipurpose reactor capacity, low-temperature capacity and API separator capacity. All this capacity is expected to be brought on stream in the first half of the current business year. Capacity for method validation and stability analysis was also expanded considerably and brought on stream. At the same time, preparatory work was completed on the decommissioning of facilities for redundant product lines, as announced in the 2006/07 business year and now slated for the current business year. The commissioning of the new production facilities with highly specialized multipurpose pharmaceutical capacity and simultaneous decommissioning of redundant facilities mark a further important step in the transformation from an industrial intermediates manufacturer to the performance leader in exclusive synthesis and production of active pharmaceutical ingredients, and therefore the implementation of the strategy.
In the business year 2009/10, DOTTIKON ES is continuing the strategy of performance leadership as specialist for hazardous reactions, as well as building on a single production site that offers flexibility, speed, and reliability. This is part of the differentiated performance leadership strategy where the number of internal interfaces is reduced in order to shorten decision and communication pathways resulting in fast project development and comprehensive and transparent communication with clients at the external interface. DOTTIKON ES utilizes the environment of the safety culture created over the last 100 years to use hazardous reactions innovatively in order to shorten conventional chemical synthesis routes, improve impurity profiles of products and make new, potentially bioactive chemical structures commercially available for future active pharmaceutical ingredients.
In the current business year 2009/10, DOTTIKON ES will continue to invest in high-quality, technologically advanced capacity expansion. Owing to the previously announced elimination of redundant product lines, DOTTIKON ES expects lower net sales versus the previous year on an enhanced product mix.

Key Figures DOTTIKON ES Group

CHF million	FY 2007/08	FY 2008/09	Changes
Net sales	**142.0**	**150.3**	+5.8%
Changes in semi-finished and finished goods	9.4	-0.3	
Other operating income	3.6	8.7	
Material expenses	-57.1	-50.8	
Personnel expenses	-47.4	-49.6	
Other operating expenses	-18.1	-19.7	
EBITDA	**32.4**	**38.6**	+19.3%
EBITDA margin (in % of net sales)	*22.8%*	*25.7%*	
Depreciation and amortization	-11.2	-12.7	
EBIT	**21.2**	**25.9**	+22.2%
EBIT margin (in % of net sales)	*14.9%*	*17.2%*	
Financial result	1.9	0.5	
Income taxes	-2.9	-4.3	
Net income	**20.2**	**22.1**	+9.4%
Net income margin (in % of net sales)	*14.2%*	*14.7%*	
Basic earnings per share (in CHF)	**16.35**	**17.88**	+9.4%
Proposed dividend per share (in CHF)	–	–	
Cash flow from operating activities	**9.9**	**46.9**	+374.7%
Capital expenditure	-20.6	-39.8	
Free cash flow	**-10.7**	**7.1**	+166.8%

FY 2007/08: business year from April 1, 2007, to March 31, 2008
FY 2008/09: business year from April 1, 2008, to March 31, 2009

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

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