



DOTTIKON ES with Increased Net Sales and Lower Loss

Dottikon, Switzerland, November 29, 2013 – DOTTIKON ES Group, positioned as strategic development and manufacturing partner and specialized in the exclusive synthesis of fine chemicals using hazardous reactions, closed its first business half-year 2013/14 on September 30. In the first half of the business year, net sales increased by around 4% to CHF 39.2 million as well as the production output – net sales plus inventory changes in semi-finished and finished goods – by 12% in comparison with the previous year. New projects were acquired and existing ones further developed. This resulted in a positive operating profit before depreciation and amortization of CHF 1.0 million, which was CHF 2.0 million higher than in the same period of the previous year. Despite growth, net sales were still too low and led again after the – due to low investments – slightly lower depreciation and amortization overall to an operational net loss that was CHF 2.2 million lower than the previous year's CHF 5.9 million. In the end, a smaller net loss of CHF 4.5 million resulted compared to the same period of the previous year. With CHF 36.0 million, DOTTIKON ES continues to show furthermore a robust, high stock of cash and cash equivalents as well as an equity ratio of more than 88%.

The economic and geopolitical uncertainty persists worldwide. In Europe, the overall economic growth remains weak. The risk of social tensions remains in the South and bears potential for conflict. Lack of political discipline to implement inevitable governmental spending cuts is evident. The structural inherent risk of the financial system has not been removed. Asian growth continues to be carried by governmental investments. The show of strength by the strong is carried out by diplomatic power demonstrations in the increasing numbers of trouble spots around the world. A new regionalized world order is emerging.

Decades of value growth due to the use of economy of scales and specialization exploiting the worldwide consolidation of value chains and segments has become exhausted. The success of the future will lie in investment in technological differentiation and specialization, as well as entering and developing for regionalizing, fragmenting markets.

The pharmaceutical market is characterized by the effects of patent expiries, regulated price cuts, the promotion of generics combined with higher quality requirements, their consistent enforcement by authorities, and questionable enforced growth efforts in emerging pharmaceutical markets.

In the first half of the business year, DOTTIKON ES increased net sales in this environment by around 4 percent to CHF 39.2 million as well as the production output – net sales plus inventory changes in semi-finished and finished goods – by 12 percent in comparison with the previous year. Compared to the weak first quarter, capacity utilization was considerably better in the second quarter of the reporting period. Several larger production campaigns started in the second half of the reporting period and led, with their initially higher material share of semi-finished goods, to overall and relatively higher material expenses. Furthermore, personnel expenses, despite only a slight increase in full-time equivalents, were considerably higher mainly due to nonrecurring extraordinary anniversary effects as part of the 100-year celebrations and expenses-reducing effects in the previous year. With regard to production output, however, considerably higher added value has been achieved with these personnel expenses. Together with the lower repair and



maintenance expenses, which led to lower other operating expenses, this resulted in a positive operating profit before depreciation and amortization of CHF 1.0 million, which was CHF 2.0 million higher than in the same period of the previous year. Despite growth, net sales were still too low and led again after the – due to low investments – slightly lower depreciation and amortization overall to an operational net loss that was CHF 2.2 million lower than the previous year's CHF 5.9 million. The same period of the previous year included a positive extraordinary effect of CHF 1.2 million from deferred taxes due to a tax law revision. On the other hand, the reporting period showed a negative extraordinary effect of CHF 0.2 million caused by adjusted financial projection under application of the aforementioned tax law revision. In the end, a smaller net loss of CHF 4.5 million resulted compared to the same period of the previous year.

Pharmaceutical companies that have already left the patent cliff – with considerable sales drops and deferred new product development in order to rescue profitability margins – behind them, have initiated activities to increase the number of new products and to accelerate their development. The declared ambitious goal is to halve the time to market. The routefinding and decision of final chemical synthesis route to the active pharmaceutical ingredient (API) and its process development have been neglected in the preclinical phase in the past years and are now, as predicted by DOTTIKON ES, becoming increasingly a critical success factor: the timely availability of the API in adequate amount and quality in order to be able to meet the aggressive timelines for clinical tests. As the pharmaceutical companies have considerably reduced their own chemical development capacity through the past years and several of them have fallen into severe difficulties with the regulatory authorities for non-compliance with the cGMP quality guidelines for pharmaceutical products, some even were forced to shut down their production sites in consequence, this work is increasingly being outsourced. Those framework conditions support the requirement for trustworthy business partners that are culturally and regionally close, and which are innovative, reliable, and fast when it comes to implementation.

In the current pharmaceutical environment described, DOTTIKON ES is strategically well positioned. The corporate strategy – performance leadership as specialist for hazardous reactions – therefore continues. The pharmaceutical market is and remains the main market in which the growth in net sales, required to achieve profitability, will be acquired. DOTTIKON ES keeps focusing on safety, reliability, high flexibility, as well as speed, and is positioning itself as strategic development and manufacturing partner. Therefore, the chemical process development capacities will be expanded by a further 20 percent until the end of summer 2014.

For the entire current business year 2013/14, DOTTIKON ES is expecting an increase in net sales compared to the previous year due to extending existing business as well as broadening of customer, project, and product base through new project acquisitions.



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Key Figures DOTTIKON ES Group

CHF million	FY 2012/13*	HY 2012/13*	HY 2013/14
Net sales	84.1	37.7	39.2
EBITDA <i>EBITDA margin (in % of net sales)</i>	2.9 3.5%	-1.0 -2.6%	1.0 2.6%
EBIT <i>EBIT margin (in % of net sales)</i>	-11.3 -13.4%	-8.1 -21.5%	-5.9 -15.2%
Net income (net loss) <i>Net income (net loss) margin (in % of net sales)</i>	-7.2 -8.5%	-5.0 -13.1%	-4.5 -11.5%
Cash flow from operating activities	-10.2	-1.7	7.6
Capital expenditure	-6.2	-2.8	-2.9
Free cash flow	-16.4	-4.5	4.7

* Restated, changes in accounting policy regarding employee's defined benefit plans in accordance with IAS 19 revised

FY: business year from April 1, 2012, to March 31, 2013

HY: business half-year from April 1 to September 30

The Annual Report 2013/14, covering the period from April 1, 2013, to March 31, 2014, will be presented on May 30, 2014.



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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.

DOTTIKON ES HOLDING AG is listed at the SIX Swiss Exchange.

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