



DOTTIKON ES – Less Loss, Increase in Development Capacities and SYSTAG Share

Dottikon, Switzerland, November 28, 2014 – DOTTIKON ES Group, positioned as strategic development and manufacturing partner and specialized in the area of hazardous reactions and the exclusive synthesis of fine chemicals, closed its first business half-year 2014/15 on September 30. In the first half of the current business year, net sales were nearly unchanged from the previous year at CHF 39.1 million. The production output – net sales plus inventory changes in semi-finished and finished goods – increased by 3 percent. New projects were acquired and existing ones further developed. Thanks to an improved product mix with higher added value, the operating profit before depreciation and amortization amounted to CHF 2.8 million, 175 percent higher than a year earlier. Net sales were still low and resulted in a net loss of CHF 3.2 million. However, the net loss was 30 percent smaller than in the previous year. The operating cash flow amounted to CHF 17.6 million in the period under review. The cash level of DOTTIKON ES remained at a comfortable CHF 40 million, with a solid equity ratio of 86 percent.

DOTTIKON ES is positioning itself as strategic development and manufacturing partner and performance leader with focus on safety, reliability, high flexibility, and speed in chemical process development and multi-ton production. For this purpose, capacities in chemical process development were expanded by another 20 percent and put into operation in summer 2014. In addition, DOTTIKON ES prepares to increase its strategic share in SYSTAG, System Technik AG, Rüschtikon, the technology leader in automated lab reactor systems, thermal process safety, and automation, from 33.9 percent to 47.1 percent.

For the full business year 2014/15, in addition to extending its existing business, DOTTIKON ES expects to broaden its customer, project, and product base through new project acquisitions.

With the globalization trend swinging back and the subsequent focus on regionalization amid intensified regional conflicts and crises with a global reach, values such as trust, reliability, and sustainability – along with cultural and geographical proximity – become increasingly important. For many large-size companies, the value generation potential based on economy of scales and the specialization and consolidation of value chains as well as their segments is exhausted. Ongoing cost-saving efforts involving outsourcing and reduction of research, development, and production have ultimately resulted in a negligence of product innovation. Mergers, acquisitions, and swaps of entire business segments are now used with the objective to secure monopoly premiums. But this value generation potential has already reached its limits in some places. The resulting stagnation will increasingly force companies to return to the traditional long-term perspective of research and development and cause them to no longer view the respective expenditures as mere costs, but rather as investments in future product innovation.

The pharmaceutical market is characterized by the effects of patent expiries, government-imposed reductions of health care costs and drug prices as well as the promotion of generics. At the same time, quality requirements and their consistent enforcement keep rising. Following a defensive phase marked by significant slumps in sales and a delay of new product developments in an effort to defend profit margins, the first pharmaceutical companies are now offensively turning



the wheel around: They actively increase the number of new products and accelerate their respective development and market launches. They return to inlicensing, acquisitions, and swaps. In the industrialized nations, pressure to reduce health care costs will persist, if not intensify, over the coming years.

As a consequence, the increasingly limited health care budgets will only channel funds to effective and innovative drugs and therapies that provide a convincing, fact-based cost-benefit ratio. In response, pharmaceutical companies are stepping up their efforts to develop innovative products and ambitiously aim at halving their time to market. In order to keep production costs low and reach the required high quality levels, they are interested in fast routefinding and subsequent process development of chemical synthesis routes, as both areas have been neglected in the preclinical phase. Given that many pharmaceutical companies have drastically reduced their chemical development capacity and that many of them or their providers face difficulties with regulatory authorities for non-compliance with the cGMP quality guidelines, such production steps are increasingly outsourced to reliable, trustworthy, and established development and production partners. Partners who deliver the desired quality and are able to provide the full range of services including chemical synthesis routefinding, the development of chemical processes and analytical methods, multi-step production to the API, validation and stability studies.

In the current pharmaceutical environment described above, DOTTIKON ES remains well positioned. The corporate strategy – strategic partner and specialist for hazardous reactions – is therefore reaffirmed: By using enabling technology, DOTTIKON ES develops and manufactures high-quality, demanding chemical products safely and efficiently. DOTTIKON ES assesses the risks properly and steadily minimizes their potential impact and/or probability of occurrence. DOTTIKON ES collaborates closely with its customers and cultivates an integrated partnership. By applying its full development and manufacturing capabilities, DOTTIKON ES supports its customers in the successful execution of their strategy. In doing so, DOTTIKON ES creates more value for its customers than its competitors.

The pharmaceutical market is and remains the main market in which the growth in net sales – the main driver for reaching profitability – will be achieved. DOTTIKON ES continues to focus on safety, reliability, high flexibility, and speed and is positioned as strategic development and manufacturing partner and performance leader. Capacities in chemical process development were expanded by another 20 percent and put into operation in summer 2014. In addition, DOTTIKON ES prepares to increase its strategic share in SYSTAG, System Technik AG, Rüschlikon, the technology leader in automated lab reactor systems, thermal process safety, and automation, from 33.9 percent to 47.1 percent.

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Key Figures DOTTIKON ES Group

CHF million	FY 2013/14	HY 2013/14	HY 2014/15
Net sales	89.9	39.2	39.1
EBITDA <i>EBITDA margin (in % of net sales)</i>	10.3 11.5%	1.0 2.6%	2.8 7.2%
EBIT <i>EBIT margin (in % of net sales)</i>	-3.8 -4.3%	-5.9 -15.2%	-4.3 -11.0%
Net income (net loss) <i>Net income (net loss) margin (in % of net sales)</i>	-2.6 -2.9%	-4.5 -11.5%	-3.2 -8.1%
Cash flow from operating activities	8.4	7.6	17.6
Capital expenditure	-5.7	-2.9	-4.8
Free cash flow	2.7	4.7	12.8

FY: business year from April 1, 2013, to March 31, 2014

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

The Annual Report 2014/15, covering the period from April 1, 2014, to March 31, 2015, will be presented on May 29, 2015.



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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.

Symbol: DESN

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