2012/13
Half-Year Report

Your Specialist for Hazardous Reactions.

Content

Dear Shareholder,

Herewith we present to you DOTTIKON ES Group's Half-Year Report for the period from April 1 to September 30, 2012.
In the first business half-year, net sales increased, whereas production output – net sales plus inventory changes in semi-finished and finished goods – decreased, due to unexpected delays in projects and products in the growth or mature stage. Together with front-loading effects on costs as a result of broadening our project pipeline and product range, the result was a net loss in the reporting period.

Economic growth is weakening worldwide. In Europe, recessionary trends are intensifying, even if pronounced differently along the North-South axis. Many peripheral countries are recording strongly negative growth rates. Apart from the enforced haircut on debt of Greece, and with the exception of Latvia and Sweden, the public debt burden has continued to rise in all EU countries compared to the previous year's as well as to the previous quarter, measured by their economic performance at the end of the first half of 2012. At the same time, fiscal quotas are increasing once again almost everywhere – even in Switzerland. The accumulated debt of the Euro countries is now 90 percent of the gross domestic product and has thus reached a new high. This is not saving in the sense of lower expenditure.

KEY FIGURES, APRIL–SEPTEMBER

CHF million (unaudited)	2011	2012	Changes
Net sales	30.8	37.7	+22.4%
EBITDA	2.5	0.2	–92.9%
EBITDA margin (in % of net sales)	8.3%	0.5%	
EBIT	–4.6	–6.9	–50.5%
EBIT margin (in % of net sales)	–14.9%	–18.4%	
Net income (net loss)	–2.7	–4.0	–47.5%
Net income (net loss) margin (in % of net sales)	–8.8%	–10.6%	
Operating cash flow	1.9	–1.7	–189.6%
Employees (FTEs, six-month average)	413	434	+5.1%

In spite of some additional consumption, economic growth in the USA remains powerless. The housing market is on the way to recovery, even if starting from a low level. But the growth in employment continues to be slow. The "fiscal cliff" is also a threat in the USA: the clash between tax increases and the reduction of governmental spending. The uncertainty with regard to the economic environment, the fiscal cliff, and the commensurability of future tax burdens, is leading companies to invest less and increasingly suspending their investment plans.

Although the emerging countries are continuing to shore up global growth, their growth rates are proving to be lower than expected. In China and India, investments have recently lost momentum, along with growth.

Under the cover of tackling the crisis, central banks are purchasing their own home regions' government bonds on a grand scale, although the financing of states by printing money, i.e., debt monetization, is not in their remit and is to some extent also explicitly prohibited. The Bank of England will soon own one third of the national debt and around 80 percent of the net new debts of the last three years. With the recent increase from purchasing government bonds, the Bank of Japan has obtained almost 90 percent of planned government spending in the current fiscal year, half of which is accounted for by new debt. The US Central Bank (the Fed) owns 10 percent of national debts, which constitutes the major part of the net new debts of the last few years. The Fed therefore by far surpasses China as the largest foreign creditor. If the holding of government bonds by large national trusts such as Medicare and Social Security Fund are taken into account, in fact around 40 percent of US national debts are owned by the state.

Specific security policy challenges have resulted from the financial crisis. Drastic economy measures, mass unemployment, and lack of prospects can destabilize societies and make countries ungovernable or radicalize them. The consequences could range from regional crises to tensions between neighboring states, as has been seen recently and is still to be seen in North Africa and the Middle East. Safety, security, trust, reliability, sustainability, and intrinsic values are becoming increasingly important due to the general increase in uncertainty and the associated possibility of the disruption of supply.

Patent expiries, forced use of generics, restrictions of cost reimbursements by government health insurances, and the lowering of drug prices by the state further increase price and margin pressures on pharmaceutical companies. Price rounds and discounts alone in the crisis-struck European countries reduced local drug sales in 2011 by around 10 percent. In 2012, a reduction in drug prices by at least 5 percent is expected in Europe. The policy of austerity is also slowing down the sales of new drugs. Only 25 percent of all prescription drugs launched in the last five years were sold in Europe. In the next few years, a contraction in the pharmaceutical market is anticipated in Europe as well as in Japan, while the proportion of generics increases. Predicted growth in the USA shrank to a meager one to two percent. Further strong growth of considerably more than 10 percent is expected for the so-called pharmerging markets, such as China, India, Brazil or Mexico, which are dominated in particular by low-margin generics, however, and where market shares are hard fought due to increasing competition. All too often, improper compromises in quality are made in return for lower costs, as demonstrated by the recent high number of warning letters issued by the FDA to established pharmaceutical companies. Additional regulatory constraints, turnover losses of up to some hundred million of Swiss francs as well as supply shortages in hospitals, and ultimately losses in market share are the direct results of this.

Some pharmaceutical companies are responding to the pressure on costs and innovation with portfolio adjustments and the outsourcing of research and development activity to smaller pharmaceutical and biotech companies. Others in turn are continuing with high research and development expenditure in existing large therapeutic areas with the replacement of time-honored standard treatments by a paradigm change, or are venturing forward into underdeveloped new therapeutic areas, such as Alzheimer's disease, where price pressure is clearly less marked but where there are higher approval risks due to the innovative character. It is pleasing that, since 2010, the number of approvals for new small molecule drugs (new molecular entities) by the FDA in the USA has increased considerably again, despite decreasing success rates in clinical phases II and III.

In the reporting period, the demand for reliable and stable development of chemical processes has continued to grow. New projects which, for the present are small in volume but extremely development-intensive, were successfully acquired in the reporting period. These are now being developed for customers to production scale in stages. The demand for large-volume capacity for multi-ton API production under the highest standards of safety and pharmaceutical quality, was still slow moving in the reporting period, but will be followed with the implementation and proceeding of the acquired projects along the clinical phases, even if delayed. That we can satisfy the high quality requirements in all respects, was proven by another successfully completed FDA audit last September, with no observations. Fortunately, in the reporting period, another increase was apparent in projects with high-quality, sophisticated exclusive synthesis and production under time pressure outside of the pharmaceutical market. The positioning as a technologically well-versed, strategic development and manufacturing partner, integrated at one site, gives promising feedback for the future, in particular in these often extremely innovative niche markets.

In the past first business half-year, net sales increased by 22 percent compared to last year's period and the relative and the absolute proportions of net sales from new non-pharmaceutical projects were fortunately extended disproportionately. On the other hand, production output – net sales plus inventory changes in semi-finished and finished goods – decreased, due to unexpected delays in projects and products in the growth or mature stage. Material expenses decreased by CHF 2.9 million in the reporting period, as a result of inventory decrease in semi-finished and finished goods with an improved product mix. By contrast, personnel expenses increased by CHF 0.5 million – due to the discontinuation of short hours compensations, a 5 percent expansion of the workforce for the broadening of the project pipeline and product range, but lower net defined benefit expenses and therefore lower than the actual employer contributions. Other operating expenses also increased by CHF 1.2 million, due to the deployment of lower capacity utilization for more comprehensive revision of existing plants in the first business half-year, compared to last year's period. Together with front-loading effects on costs, as a result of the broadening of the project pipeline and product range with sophisticated new projects, there was a net loss of CHF 4.0 million in the reporting period. At the end of the reporting period, DOTTIKON ES continues to have a solid balance of cash and cash equivalents and fixed deposits of CHF 48.2 million as well as a continuing strong equity ratio of 87.2 percent, and is therefore well equipped for any sustained unpredictability in the present cooling down environment.

The corporate strategy – performance leadership as specialist for hazardous reactions – continues. DOTTIKON ES keeps focusing on safety, reliability, and high flexibility, as well as speed, and is positioning itself as strategic development and manufacturing partner.
Despite evidence of slightly improved business dynamics in the current second business half-year, we are expecting – in the environment of the slowing global economy – a further increase in net sales but a delayed return back to profitability for the whole business year 2012/13.

Dottikon, November 16, 2012

Dr. Markus Blocher
Chairman of the Board of Directors

Financial Report DOTTIKON ES Group

Consolidated Income Statements

April–September
CHF thousand and % (unaudited)
Notes, No 1

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

	2011	%	2012	%
Net sales	**30'842**	**100.0**	**37'745**	**100.0**
Changes in semi-finished and finished goods	7'717		–2'738	
Other operating income	1'237		1'258	
Material expenses	–11'303		–8'415	
Personnel expenses	–19'548		–20'074	
Other operating expenses	–6'400		–7'595	
EBITDA	**2'545**	**8.3**	**181**	**0.5**
Depreciation and amortization	–7'155		–7'121	
EBIT	**–4'610**	**–14.9**	**–6'940**	**–18.4**
Financial income	867		143	
Financial expenses	–107		–60	
Financial result	**760**		**83**	
Result from associated companies	**0**		**0**	
Net income (net loss) before taxes	**–3'850**	**–12.5**	**–6'857**	**–18.2**
Income taxes	1'144		2'866	
Net income (net loss)	**–2'706**	**–8.8**	**–3'991**	**–10.6**
Basic earnings (loss) per share in CHF[A]	**–2.18**		**–3.21**	
Weighted average number of shares	**1'240'434**		**1'242'404**	

Consolidated Statement of Comprehensive Income

April–September
CHF thousand (unaudited)

	2011	2012
Net income (net loss)	**–2'706**	**–3'991**
Realized gains (losses) on foreign exchange forwards	–2	–11
Changes in fair value of foreign exchange forwards	–187	–123
Employee benefits		
Actuarial gains (losses)	–15'564	–7'154
Adjustments for article IAS 19.58	4'060	5'288
Income taxes on other comprehensive income	2'221	368
Other comprehensive income, net of taxes	**–9'472**	**–1'632**
Total comprehensive income	**–12'178**	**–5'623**

Consolidated Balance Sheets

CHF thousand and % (unaudited)
Notes, No 2

	31.03.2012	%	30.09.2012	%
Intangible assets	1'021		930	
Property, plant and equipment	215'442		211'759	
Investments in associated companies	874		874	
Pension surplus	33'071		33'071	
Non-current assets	**250'408**	**69.9**	**246'634**	**71.3**
Inventories	35'102		32'590	
Trade receivables	13'102		16'296	
Other receivables	2'233		2'043	
Current financial assets	20'000		10'000	
Cash and cash equivalents	37'633		38'217	
Current assets	**108'070**	**30.1**	**99'146**	**28.7**
Assets	**358'478**	**100.0**	**345'780**	**100.0**
Share capital	6'363		6'363	
Share premium	60'542		60'550	
Own shares	–6'420		–5'992	
Retained earnings	251'176		240'582	
Shareholders' equity	**311'661**	**86.9**	**301'503**	**87.2**
Deferred tax liabilities	32'672		29'157	
Non-current liabilities	**32'672**	**9.1**	**29'157**	**8.4**
Trade payables	3'249		4'142	
Income tax liabilities	681		936	
Other current liabilities	10'215		10'042	
Current liabilities	**14'145**	**4.0**	**15'120**	**4.4**
Liabilities	**46'817**	**13.1**	**44'277**	**12.8**
Shareholders' equity and liabilities	**358'478**	**100.0**	**345'780**	**100.0**

Consolidated Cash Flow Statements

April–September
CHF thousand (unaudited)
Notes, No 3

[A] Cash and bank accounts:
CHF 38'217 thousand (previous year: CHF 28'307 thousand)
Fixed deposits (original maturity of up to 90 days):
CHF 0 thousand (previous year: CHF 0 thousand)

	2011	2012
Net income (net loss)	–2'706	–3'991
Income taxes	–1'144	–2'866
Financial result	–760	–83
Depreciation of property, plant and equipment	7'087	7'030
Amortization of intangible assets	68	91
Result from associated companies	0	0
Other non-cash income and expenses	861	–1'799
Interest received	56	58
Interest paid	–7	–11
Income taxes paid	–5	–27
Changes in		
Trade receivables	5'925	–3'292
Other receivables	–1'064	141
Inventories	–7'846	2'512
Trade payables	364	660
Other current liabilities	1'029	–87
Cash flow from operating activities	**1'858**	**–1'664**
Additions to		
Intangible assets	0	0
Property, plant and equipment	–1'943	–2'793
Current financial assets	0	0
Disposals of		
Intangible assets	0	0
Property, plant and equipment	1	0
Current financial assets	5'000	10'000
Cash flow from investing activities	**3'058**	**7'207**
Dividends paid	0	–4'971
Purchase of own shares	0	0
Disposal of own shares	0	0
Cash flow from financing activities	**0**	**–4'971**
Currency translation effect on cash and cash equivalents	–72	12
Net change in cash and cash equivalents	**4'844**	**584**
Cash and cash equivalents at the beginning of the reporting period	23'463	37'633
Cash and cash equivalents at the end of the reporting period [A]	**28'307**	**38'217**

Consolidated Statement of Changes in Equity

CHF thousand (unaudited)

	Share capital	Share premium	Own shares	Changes in fair value of foreign exchange forwards	Other retained earnings	Shareholders' equity
Balance 01.04.2011	**6'363**	**60'513**	**–6'735**	**2**	**257'186**	**317'329**
Net income (net loss)					**–2'706**	**–2'706**
Realized gains (losses) on foreign exchange forwards				–2		–2
Changes in fair value of foreign exchange forwards				–187		–187
Employee benefits						
Actuarial gains (losses)					–15'564	–15'564
Adjustments for article IAS 19.58					4'060	4'060
Income taxes on other comprehensive income				35	2'186	2'221
Other comprehensive income, net of taxes				**–154**	**–9'318**	**–9'472**
Total comprehensive income				**–154**	**–12'024**	**–12'178**
Changes in own shares		28	333			361
Balance 30.09.2011	**6'363**	**60'541**	**–6'402**	**–152**	**245'162**	**305'512**
Balance 01.10.2011	**6'363**	**60'541**	**–6'402**	**–152**	**245'162**	**305'512**
Net income (net loss)					**1'929**	**1'929**
Realized gains (losses) on foreign exchange forwards						
Changes in fair value of foreign exchange forwards				247		247
Employee benefits						
Actuarial gains (losses)					21'734	21'734
Adjustments for article IAS 19.58					–16'751	–16'751
Income taxes on other comprehensive income				–46	–947	–993
Other comprehensive income, net of taxes				**201**	**4'036**	**4'237**
Total comprehensive income				**201**	**5'965**	**6'166**
Changes in own shares		1	–18			–17
Balance 31.03.2012	**6'363**	**60'542**	**–6'420**	**49**	**251'127**	**311'661**
Balance 01.04.2012	**6'363**	**60'542**	**–6'420**	**49**	**251'127**	**311'661**
Net income (net loss)					**–3'991**	**–3'991**
Realized gains (losses) on foreign exchange forwards				–11		–11
Changes in fair value of foreign exchange forwards				–123		–123
Employee benefits						
Actuarial gains (losses)					–7'154	–7'154
Adjustments for article IAS 19.58					5'288	5'288
Income taxes on other comprehensive income				25	343	368
Other comprehensive income, net of taxes				**–109**	**–1'523**	**–1'632**
Total comprehensive income				**–109**	**–5'514**	**–5'623**
Dividends paid					–4'971	–4'971
Changes in own shares		8	428			436
Balance 30.09.2012	**6'363**	**60'550**	**–5'992**	**–60**	**240'642**	**301'503**

Notes DOTTIKON ES Group

Corporate Accounting Principles (condensed)

BASIS OF PREPARATION OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements comprise DOTTIKON ES HOLDING AG and all entities which the holding directly or indirectly controls either by holding more than 50 percent of the voting rights or by having otherwise the power to govern their operating and financial policies. These entities are fully consolidated. The consolidation is based on the individual financial statements of the subsidiaries prepared on the basis of uniform accounting policies.

Entities, in which DOTTIKON ES Group holds at least 20 percent of the voting rights, but less than 50 percent, or over which it otherwise has significant influence, are accounted for using the equity method and are classified as investments in associated companies.

The consolidated interim financial statements are prepared for the half year ended September 30, 2012 (reporting period), and have been prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The interim financial statements have not been audited.

These consolidated interim financial statements do not include all information available in the annual financial statements and should therefore be read in conjunction with the financial statements of the Group for the year ended March 31, 2012.

The preparation of the consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities at the date of the consolidated interim financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the consolidated interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

No new significant estimates and assumptions were made in these consolidated interim financial statements compared to the consolidated financial statements for the year ended March 31, 2012.

Income taxes are recognized based upon the best estimate of the weighted average annual income tax rate expected for the full business year.

CHANGES IN CORPORATE ACCOUNTING PRINCIPLES

Applied standards and interpretations

The interim financial statements have been prepared in accordance with the accounting policies set out in the annual financial statements 2011/12, except for the following:

With effect from April 1, 2012, DOTTIKON ES Group applied the following revised standards issued by the IASB: IFRS 7 "Disclosures – Transfers of Financial Assets" as well as IAS 12 "Deferred Tax: Recovery of Underlying Assets".

The aforementioned revised standards did not have significant impact on equity, profit or loss, cash flow, and presentation of the consolidated interim financial statements of the Group.

STANDARDS AND INTERPRETATIONS THAT HAVE BEEN ISSUED BUT NOT YET APPLIED

The following new and revised standards and interpretations have been issued up to the date the Board of Directors has approved these consolidated financial statements, but are not yet effective and are not applied early in these consolidated interim financial statements. Their impact on the consolidated financial statements of DOTTIKON ES Group has not yet been systematically analyzed. The expected effects as disclosed below the table reflect a first assessment by management of the Group.

Standard/Interpretation		Effective date	Planned application by DOTTIKON ES Group
Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income	B	July 1, 2012	Business year 2013/14
Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities	B	January 1, 2013	Business year 2013/14
IFRS 10 – Consolidated Financial Statements	A	January 1, 2013	Business year 2013/14
IFRS 11 – Joint Arrangements	A	January 1, 2013	Business year 2013/14
IFRS 12 – Disclosure of Interests in Other Entities	B	January 1, 2013	Business year 2013/14
IFRS 13 – Fair Value Measurement	C	January 1, 2013	Business year 2013/14
Improvements to IFRSs (May 2012)	A	January 1, 2013	Business year 2013/14
IAS 19 revised – Employee Benefits	D	January 1, 2013	Business year 2013/14
Amendments to IAS 27 – Separate Financial Statements	A	January 1, 2013	Business year 2013/14
Amendments to IAS 28 – Investments in Associates and Joint Ventures	A	January 1, 2013	Business year 2013/14
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	A	January 1, 2013	Business year 2013/14
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	B	January 1, 2014	Business year 2014/15
IFRS 9 – Financial Instruments	C	January 1, 2015	Business year 2015/16

[A] No impact or no significant impact is expected on the consolidated financial statements of DOTTIKON ES Group

[B] The impact on the consolidated financial statements of DOTTIKON ES Group is expected to result in additional disclosures or changes in presentation

[C] The impact on the consolidated financial statements of DOTTIKON ES Group cannot yet be determined with sufficient reliability

[D] IAS 19 revised "Employee Benefits" is effective for annual periods beginning on or after January 1, 2013. According to their analysis, management expects the following impacts on the consolidated financial statements:

- Actuarial gains and losses will have to be recognized within other comprehensive income. The option of deferred recognition according to the corridor method is no longer allowed. DOTTIKON ES Group already recognizes actuarial gains and losses within other comprehensive income
- The return on plan assets is no longer estimated on the expected return on plan assets based on asset allocation, but the return is instead recognized by the amount of the discount rate. Due to the new regulation, net defined benefit expenses of the reporting period 2012/13 would have been increased by additional CHF 1'150 thousand (opposite effect within other comprehensive income)

Notes to the Consolidated Interim Financial Statements (condensed)

1 INCOME STATEMENT

Net sales increased by CHF 6.9 million or 22.4 percent to CHF 37.7 million compared to the same period of the previous year, caused by increased incoming orders. The decrease in semi-finished and finished goods of CHF 2.7 million – for delivered products in the reporting period – was CHF 10.5 million lower than in the same period of the previous year. Material expenses decreased by CHF 2.9 million compared to the same period of the previous year, due to the destocking of semi-finished and finished goods as well as the improved product mix.

Personnel expenses increased by CHF 2.4 million compared to the same period of the previous year, due to the discontinuation of short hours compensations (termination of short hours as of end of September 2011) and increasing headcount of qualified employees to meet the broadening of the project pipeline as well as the product range. On the opposite, the actuarial valuation led to lower net defined benefit expenses of CHF 1.9 million than the actual employer contributions in the reporting period (same period of the previous year: lower net defined benefit expenses of CHF 0.3 million). Thus, the overall increase only amounts to CHF 0.5 million.

Other operating expenses increased by CHF 1.2 million compared to the same period of the previous year. The first business half-year 2012/13 was used to accomplish more comprehensive revisions of existing plants.

Depreciation and amortization are in line with the same period of the previous year and amount to CHF 7.1 million due to slightly higher investing activities.

EBIT decreased by CHF 2.3 million to minus CHF 6.9 million, mainly due to the lower production yield caused by delayed projects and products in the growth or mature stage as well as higher personnel expenses and costs for plant revisions along with preparatory efforts.

The associated company (SYSTAG, System Technik AG) reports its figures once a year for the Annual Report as of March 31. The impact on the Group's equity and net income (net loss) is not material and will therefore be considered in the Annual Report as of March 31 only.

Income taxes showed an increase of CHF 1.7 million in the reporting period – due to a higher net loss in the reporting period on the one hand as well as a deferred tax rate adjustment as a result of tax law revision at the domicile, effective as of January 1, 2016, with a positive effect of CHF 1.2 million on the other hand – and led to a tax revenue, as in the same period of the previous year.

The Group's operations are not subject to significant seasonal fluctuations.

2 BALANCE SHEET

Non-current assets decreased by CHF 3.8 million in the reporting period. The additions in intangible assets as well as in property, plant and equipment amount to CHF 3.4 million in the reporting period and were considerably lower than the recognized depreciation and amortization of CHF 7.1 million. This is due to the completion of the expansion phase in the last years as well as the adaptation to the significantly declined course of business. The corresponding additions led to a cash outflow of CHF 2.8 million in the reporting period.

An independent certified actuary estimated the recoverability of the capitalized surplus as of September 30, 2012. Actuarial losses of CHF 7.2 million on the one hand as well as income resulting from adjustments for article IAS 19.58 of CHF 5.3 million on the other hand were recognized within other comprehensive income. In the same time, net defined benefit expenses were CHF 1.9 million lower than the actual employer contributions. The resulting difference was recognized within the income statement. Therefore, the surplus of pension assets remains CHF 33.1 million as of end of September 2012.

Current assets decreased by CHF 8.9 million compared to end of March 2012. The destocking of CHF 2.5 million results mostly from the decline in semi-finished and finished goods of CHF 2.7 million due to delivered products in the reporting period. Trade receivables increased by CHF 3.2 million in the reporting period due to increased incoming orders and the related higher net sales. Other receivables decreased by CHF 0.2 million mainly due to lower receivables from public fees. Cash and cash equivalents as well as fixed deposits (current financial assets) decreased by CHF 9.4 million in the reporting period – due to the dividend of CHF 5.0 million paid to the shareholders of DOTTIKON ES HOLDING AG, cash outflow for investing activities of CHF 2.8 million in property, plant and equipment, as well as cash outflow of CHF 1.7 million from operating activities – and amount to CHF 48.2 million as of end of September 2012.

Shareholders' equity decreased by CHF 10.2 million compared to end of March 2012, and now amounts to CHF 301.5 million as of end of September 2012. The equity ratio is 87.2 percent as of end of September 2012, representing a marginal increase compared to end of March 2012. The decrease in shareholders' equity is due to the Group's net loss of CHF 4.0 million, the dividend of CHF 5.0 million paid to the shareholders approved at the Annual General Meeting of July 2012, as well as the aforementioned recognition within other comprehensive income caused by actuarial losses as well as income resulting from adjustments for article IAS 19.58 – net of deferred tax impact – within the valuation of surplus of pension assets of CHF 1.5 million. In the first business half-year, transactions with own shares resulted in a net reduction for the acquirement of gratuitously registered shares for employees, which DOTTIKON ES Group considers as performance drivers.

Deferred tax liabilities decreased by CHF 3.5 million, mostly due to offset deferred tax assets caused by existing tax loss carryforwards and a deferred tax rate adjustment as a result of tax law revision at the domicile, effective as of January 1, 2016.

Compared to end of March 2012, current liabilities increased by CHF 1.0 million. This is mainly due to an increase of CHF 0.9 million in trade payables.

3 CASH FLOW STATEMENT

Cash flow from operating activities decreased by CHF 3.5 million compared to the same period of the previous year and amounts to minus CHF 1.7 million. The same period of the previous year was mainly influenced by the inventory build-up of CHF 7.8 million, mostly due to the increase in semi-finished and finished goods. In the reporting period, inventory was decreased by CHF 2.5 million, mainly due to the decline in semi-finished and finished goods of CHF 2.7 million as a result of increased incoming orders. In addition, trade receivables increased by CHF 3.3 million in the reporting period because of higher net sales. In the same period of the previous year, the realization of trade receivables amounted to CHF 5.9 million due to lower course of business at the end of the business year 2010/11. In the reporting period, other non-cash income and expenses mainly resulted from the difference between net defined benefit expenses and the actual employer contributions, which was recognized within the income statement (same period of the previous year: unrealized foreign currency gains/losses).

In the reporting period, DOTTIKON ES Group's outflow of cash and cash equivalents in investing activities amounts to CHF 2.8 million. Compared to the same period of the previous year, investments in property, plant and equipment were CHF 0.9 million higher. In addition, fixed deposits of CHF 10.0 million – with an original maturity of more than 90 days – expired in the reporting period (same period of the previous year: expiration of fixed deposits of CHF 5.0 million with an original maturity of more than 90 days). A renewal of the expired fixed deposits was not considered because no significant interest advantage could be achieved.

Outflow of cash and cash equivalents from financing activities resulted from the dividend of CHF 5.0 million paid to the shareholders of DOTTIKON ES HOLDING AG of CHF 4 per registered share approved at the Annual General Meeting of July 2012 (same period of the previous year: no dividend payment).

Cash and cash equivalents rose by CHF 0.6 million in the reporting period and amount to CHF 38.2 million as of end of September 2012.

4 SEGMENT REPORTING

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

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. 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 consolidated financial statements.

Entity-wide disclosures are as follows:

Net sales by product lines:

CHF thousand/April–September	2011	2012
Pharma Products	25'266	29'932
Performance Chemicals	2'890	4'613
Recycling & Waste Treatment	2'686	3'200
Net sales	**30'842**	**37'745**

Net sales by regions:

CHF thousand/April–September	2011	2012
Switzerland	10'620	14'976
Northern Europe	12'586	8'798
Southern Europe and others	525	1'901
America	6'311	9'976
Asia	800	2'094
Net sales	**30'842**	**37'745**

Share of sales by customers:

CHF thousand/April–September	2011	2012
Customers with more than 10% of net sales[A]	10'999	14'956
Customers with less than 10% of net sales	19'843	22'789
Net sales	**30'842**	**37'745**

[A] Reporting period 2012/13: three customers with more than 10% of net sales (same period of the previous year: one customer)

5 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated interim financial statements were approved for issue by the Board of Directors on November 16, 2012. No events have occurred between September 30, 2012, and November 16, 2012, 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.

Investor Relations

Issue Annual Report 2012/13
May 29, 2013

Annual General Meeting for the Business Year 2012/13
July 5, 2013

Issue Half-Year Report 2013/14
November 29, 2013

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

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DOTTIKON ES, with its production site in Dottikon (Aargau, Switzerland), is specialized in hazardous chemical reactions and is positioning itself as strategic development and manufacturing partner. Its safety culture created over the last 100 years is utilized to innovatively use hazardous reactions, low-temperature and high-pressure chemistry, as well as continuous processing, to question, tighten or shorten conventional chemical synthesis routes, improve yields, selectivity, and purity, as well as to reduce waste.

DOTTIKON ES employs its versatile technology and equipment portfolio to design, develop, and continuously improve chemical processes, scale up from kilograms to multi-tons, as well as to manufacture high-quality performance chemicals, intermediates, and exclusive active pharmaceutical ingredients (APIs) for the world's leading chemical and pharmaceutical companies. The one-site strategy of DOTTIKON ES allows short decision and communication pathways. This ensures quick and efficient project development as well as clear and transparent communication with the customers.

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