2021/22 Condensed Half-Year Report

More than Hazardous Reactions.

Content

The Half-Year Report 2021/22 in English includes only condensed financial information.
The comprehensive Half-Year Report 2021/22 is available in German.

Dear Shareholder,

Herewith we present to you DOTTIKON ES Group's Condensed Half-Year Report 2021/22 for the period from April 1 to September 30, 2021.

In the first business half-year, net sales were CHF 101.8 million, up 10.9 percent compared to the previous-year period. This is the result of broad-based growth in the United States and Europe, diversified over several market-approved, patent-protected products of different customers, with innovative, chemically manufactured APIs for various indications. Growth was mainly unaffected by COVID-19 and will continue. Net income was CHF 23.9 million, up 13.2 percent compared to the previous-year period.

Growth in the ongoing business year 2021/22 and the related increased production output – net sales plus inventory changes in semi-finished and finished goods – resulted in another increase in semi-finished and finished goods by CHF 13.0 million. This represents a 10.4 percent increase in production output compared to the previous-year period. The respective material expenses rose slightly underproportionately by 4.4 percent to CHF 26.7 million. Other operating income rose to CHF 4.1 million because of, among other items, higher capitalized own production due to intensified investment activities. Personnel expenses rose by 6.1 percent to CHF 38.7 million due to a 4.4 percent increase in the staff number to 658 full-time equivalents and higher wages. Resulting earnings before interest, taxes, depreciation, and amortization (EBITDA) were above the previous-year period at CHF 38.4 million (previous-year period: CHF 33.9 million). The EBITDA margin was 37.7 percent (previous-year period:

KEY FIGURES, APRIL–SEPTEMBER

CHF million (unaudited)	2020	2021	Changes
Net sales	91.8	101.8	10.9%
EBITDA	33.9	38.4	13.2%
EBITDA margin (in % of net sales)	36.9%	37.7%	
EBIT	24.6	27.8	13.0%
EBIT margin (in % of net sales)	26.8%	27.3%	
Net income	21.1	23.9	13.2%
Net income margin (in % of net sales)	23.0%	23.5%	
Cash flow from operating activities	46.3	12.0	–74.2%
Employees (FTEs, six-month average)	630	658	4.4%

36.9 percent). Depreciation and amortization rose by 13.5 percent to CHF 10.6 million. Resulting earnings before interest and taxes (EBIT) were CHF 27.8 million, up 13.0 percent compared to the previous-year period, while the EBIT margin was 27.3 percent (previous-year period: 26.8 percent). Combined with the financial result and income taxes, net income was CHF 23.9 million (previous-year period: CHF 21.1 million) with a net income margin of 23.5 percent (previous-year period: 23.0 percent). Cash flow from operating activities was CHF 12.0 million in the reporting period, significantly lower than the previous-year period's CHF 46.3 million due to higher growth-related net working capital. Cash outflows from investments in property, plant and equipment and intangible assets were CHF 23.4 million (previous-year period: CHF 22.5 million). At minus CHF 11.4 million, free cash flow was lower and negative in the period under review (previous-year period: CHF 23.8 million). At the end of the reporting period, cash and cash equivalents are CHF 198.9 million (previous-year period: CHF 66.6 million). The equity ratio amounts to 84.2 percent.

Propelled by the availability of SARS-CoV-2 vaccines and rising vaccination rates, the global economy and its recovery have gained momentum. Along with the recovery, global value and logistics chains have to be increased or adapted to a new mix and the rising demand among a changed geopolitical environment. Sectors that were hard hit by lockdown measures are searching for staff, as many potential employees switched to other sectors during the lockdown, have not yet resumed their working activities, or remain absent from the labor market altogether. The number of job opportunities has risen sharply. The generously distributed government support measures and state-mandated remote working during the pandemic have alienated employees from their employers, thereby weakening the employees' identification with the companies and lowering their commitment and willingness to work. At the same time, these measures kindled desires in terms of compensation and flexibility. In companies where management – driven by their own convenience – blindly followed this trend, the degree of information and organization, and ultimately productivity and innovation, have suffered significantly. Combined with the prevalent demand overhang, this has distorted the global value and logistics chains and led to supply gaps as well as higher raw material and labor costs. Despite the base effect related to the lockdown measures and the respective economic slump in 2020, the increase in inflation was above expectations.

Combined with (i) the global geopolitical separation, (ii) the rushed green deal measures in the area of energy production and distribution hastily introduced under the oftentimes misused "sustainability" label, and (iii) the record debt levels, this development has the potential to add fuel to the rising inflation and, along with the inevitable rise in interest rates, to trigger the economic crisis that has been deferred for a long time.

Starting from the tripolar world order, two main poles led by the United States and China as well as their allies have emerged, flanked by an additional side pole, Russia, that is not to be neglected. The pandemic has made the interdependencies and resulting vulnerability perceivable and visible on both sides. Direct exports from China to the United States are about four times higher than the flow of goods in the other direction, which illustrates the financial US-export dependency of China just as much as the material dependency of the United States on China. In their power game for global dominance, the two adversaries try to make use of these economic dependencies to weaken the other side with targeted measures such as market regulation and punitive duties. At the same time, they aim to unbundle the dependencies by re- and nearshoring production and supply and the promotion of domestic consumption. Companies on both sides react with repatriation and geographic diversification in an effort to avoid or at least reduce their exposure to erratic risks emerging from sudden and unpredictable political measures. With the repatriation of the production of energy-intense goods to the West and the related reindustrialization, energy production and distribution becomes a strategic priority. Recklessly and hastily made green deal measures – taken before new, less CO_2-intense energy sources are readily available and can replace the existing ones – endanger the reliable energy supply derived from fossil fuels in the medium term. In the recent past, Europe's dependency on Russia's natural gas deliveries to maintain energy

supply security in the transition to less CO_2-intense energy sources was bluntly revealed. When defining measures in politics, the majority denies to acknowledge the scientifically and technologically feasible reality and is driven by ideological branches, associations, and academics with their own particular interests and thirst for financial support and subsidies.
Entropy production through high energy and material turnover is a by-product of population growth and higher prosperity. CO_2 emissions are the product of the population number, economic output, energy efficiency (quantity of energy required per activity), and CO_2 intensity (quantity of CO_2 per utilizable energy unit). If we are to maintain the functioning social structures amid population growth with increasing prosperity, we will have to accept the related entropy production. Against this background, society's challenge lies not in the consequent repression of entropy production, but in its sustainable organization. This means first, an improvement of the current entropy producing processes by a reduction of the current entropy production rate by means of energy reduction and a lower use of material consumption without limiting the general performance of these entropy-producing processes; and second, the quest for new sustainable strategies such as the buildup of sustainable energy supply by substituting fossil energy sources with regenerative techniques. The latter requires a social consensus for structural changes to minimize entropy production and is clearly more demanding and time-consuming than the former. For the sake of economical entropy production, the following priorities apply: (1) more efficient and longer use; (2) recycling and reuse at high value levels; and (3) replacement with a more sustainable approach. As a result, the transition to a more sustainable economy must be built on a semi-conservative approach: Maintaining functionality and securing the underlying structures and mechanisms until they can be usefully replaced by more purposeful alternatives. Fossil energy production and distribution can only be replaced once less CO_2-intense alternative energy production, distribution, and therefore supply are available and safeguarded. A premature shutdown of existing electricity plants is not goal-oriented, particularly when it coincides with a steep rise in electricity demand expected due to a strong promotion of electro mobility and, in particular, the

related significant change in producer, consumer, and distribution structures. Grid operators have been warning for a long time that the electricity supply, generally taken for granted by the population, has already become increasingly unstable due to these changes. Recent events demonstrate that blackouts may soon become a reality and can cause substantial economic and social disruption. Combined with the distortions in the global value and logistics chains, this results in further supply gaps, additional cost increases and, consequently, to structural inflation that will continue on the back of geopolitical separation combined with rushed green deal measures. This will inevitably result in interest rate hikes and, together with record debt levels, has the potential to trigger a massive global economic crisis.

Demographic developments and the related increase in drug demand, accelerated market approvals for generics, biosimilars, and novel innovative drugs, as well as government attempts to reduce drug prices remain key volume growth and innovation drivers in the pharmaceutical market in the medium and long term. In addition, the demographic trends ensure further long-term volume growth. Life expectancy is set to rise around the world, even if it is at lower rates than in the previous years in industrialized countries and has even declined slightly in countries with a high proportion of older people in the population amid COVID-19. In the medium term, life expectancy is set to rise again not least thanks to the expected progress in the treatment of cancer, the world's second most common cause of death. An improved molecular biological understanding of the human metabolism and the improved early scientific selection of efficacious drug candidates, the accelerated market approval, attractive return prospects for innovative drugs, and the high inflow of funds all contribute to an increase in the number of drug candidates and new approved drugs. The increasingly specific and targeted drugs have more complex and longer manufacturing sequences resulting in a higher number of production steps under the strongly regulated current good manufacturing practice (cGMP) quality standards for API production. Therefore, demand for high-quality development and production capacities continues to rise steeply, inevitably resulting in shortages in high-quality and technologically versatile chemical process development and API manu-

facturing capacities. This holds particularly true for small molecules, as regional demand for chemical development and production capacities is further driven by cross-industry repatriation in reaction to stricter environmental regulation in Asia and geopolitical separation. Initial signs of shortage are already clearly visible.
This quite positive market dynamic can, however, be adversely affected by the following trend: The dizzying growth potential for innovative drugs in key indication areas might lose steam on the back of increased competitive pressure due to a rise in the number of new APIs in short time periods following a record inflow of funds into biotech and pharmaceutical companies; a decline in the degree of information and organization, productivity, and innovation on the back of ongoing, restrictive and self-imposed COVID-19 measures; and government price regulation. In China, the recently strong growth momentum for western pharmaceutical and biotech companies in large indication areas such as oncology is dampened by continually more sophisticated price-reducing bidding systems and targeted efforts to solidify the competitive position of local suppliers. In addition, the West's supply chains remain strongly dependent on raw materials from Asia and are vulnerable to erratic government measures taken amid the mentioned geopolitical separation. Moreover, energy and electricity supply disruptions as a result of geopolitical tension and rushed green deal measures are on the rise.

DOTTIKON ES' performance leadership 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 cultivate an integrated partnership with our customers. By applying our full development and manufacturing capabilities, we support our customers in the successful execution of their strategies. In doing so, we create more value for our customers than our competitors. 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 short decision and communication pathways. The small molecule pharma/biotech API market is and remains our main market where profitable growth will be built. The utilization of existing plants is increased with efficiency enhancement measures until the new additional plants become operational. To secure long-term growth, our independent Performance Chemicals unit will continue to develop new, innovative proprietary products that satisfy currently unmet market needs outside the pharmaceutical market and bring them closer to market readiness.

The expansion and buildup of production and infrastructure capacity for ongoing growth will continue. The construction of the new chemical multipurpose production plant for APIs is progressing as planned and the plant will become operational in 2025. The vast part of the foundation has already been laid and the construction above ground has begun. In addition, the Board of Directors has approved the construction of a new API drying plant with a total investment volume of around CHF 100 million. The work on the foundation has begun and the drying plant will become operational in 2024.

For the ongoing full business year 2021/22, we expect net sales above the previous year's figure.

Dottikon, November 18, 2021

Dr. Markus Blocher
Chairman of the Board of Directors

Group Financial Statements DOTTIKON ES Group

Consolidated Income Statements

April–September
CHF thousand and %
(unaudited, condensed)

	2020	%	2021	%
Net sales	**91'793**	**100.0**	**101'844**	**100.0**
Changes in semi-finished and finished goods	12'236		13'029	
Other operating income	2'815		4'091	
Material expenses	–25'617		–26'732	
Personnel expenses	–36'493		–38'726	
Other operating expenses	–10'823		–15'134	
Operating result before depreciation and amortization (EBITDA)	**33'911**	**36.9**	**38'372**	**37.7**
Depreciation and amortization	–9'306		–10'564	
Operating result (EBIT)	**24'605**	**26.8**	**27'808**	**27.3**
Financial income	133		1'051	
Financial expenses	–233		–1'019	
Financial result	**–100**		**32**	
Result from associated companies	**0**		**0**	
Net income before taxes	**24'505**	**26.7**	**27'840**	**27.3**
Income taxes	–3'378		–3'925	
Net income	**21'127**	**23.0**	**23'915**	**23.5**
Basic/diluted earnings per share in CHF	**1.69**		**1.73**	
Weighted average number of shares[A]	**12'531'140**		**13'808'747**	

[A] Previous year 2020/21: share split in the ratio of 1:10 from nominal value of CHF 0.10 to CHF 0.01 (changes in by-laws as of 27.11.2020) and implementation of the authorized capital increase of 10% as of 12.03.2021 with publication in the Swiss Official Gazette of Commerce (SOGC). For better comparability of the previous-year period with the first business half-year 2021/22, the weighted average number of shares has been adjusted in the ratio of the 1:10 share split

Consolidated Balance Sheets

CHF thousand and %
(unaudited, condensed)

	31.03.2021	%	30.09.2021	%
Cash and cash equivalents	185'157		198'917	
Current financial assets	65'000		39'660	
Trade receivables	50'176		55'834	
Other receivables	2'099		3'910	
Inventories	101'792		126'585	
Prepaid expenses and accrued income	1'743		2'756	
Current assets	**405'967**	**52.9**	**427'662**	**52.9**
Property, plant and equipment	314'608		334'091	
Intangible assets	415		311	
Investments in associated companies	1'250		1'250	
Assets from employer contribution reserve	44'515		44'515	
Non-current assets	**360'788**	**47.1**	**380'167**	**47.1**
Assets	**766'755**	**100.0**	**807'829**	**100.0**
Trade payables	9'815		16'725	
Income tax liabilities	3'030		5'374	
Other current liabilities	36'417		28'984	
Current provisions	45		44	
Accrued expenses and deferred income	24'615		37'951	
Current liabilities	**73'922**	**9.7**	**89'078**	**11.0**
Non-current provisions	5'420		5'420	
Deferred tax liabilities	31'600		33'118	
Non-current liabilities	**37'020**	**4.8**	**38'538**	**4.8**
Liabilities	**110'942**	**14.5**	**127'616**	**15.8**
Share capital	140		140	
Share premium	262'959		263'632	
Retained earnings	396'621		420'272	
Own shares	–3'907		–3'831	
Shareholders' equity	**655'813**	**85.5**	**680'213**	**84.2**
Shareholders' equity and liabilities	**766'755**	**100.0**	**807'829**	**100.0**

Consolidated Cash Flow Statements

April–September
CHF thousand
(unaudited, condensed)

	2020	2021
Net income	21'127	23'915
Income taxes	3'378	3'925
Financial result	100	–32
Depreciation of property, plant and equipment	9'151	10'460
Amortization of intangible assets	155	104
Result from associated companies	0	0
Other non-cash income and expenses	236	–40
Interest received	0	0
Interest paid	–9	–137
Income taxes paid	–11	–3
Changes in		
Trade receivables	11'863	–5'679
Other receivables as well as prepaid expenses and accrued income	–555	–2'953
Inventories	–11'251	–24'793
Trade payables	1'762	3'155
Other current liabilities as well as accrued expenses and deferred income	10'370	4'049
Provisions	–2	–1
Cash flow from operating activities	**46'314**	**11'970**
Outflows of		
Current financial assets	0	–35'187
Property, plant and equipment	–22'473	–23'422
Intangible assets	–27	–26
Inflows of		
Current financial assets	0	60'591
Property, plant and equipment	12	0
Intangible assets	0	0
Cash flow from investing activities	**–22'488**	**1'956**
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	–35	–166
Net change in cash and cash equivalents	**23'791**	**13'760**
Cash and cash equivalents at the beginning of the reporting period	42'843	185'157
Cash and cash equivalents at the end of the reporting period	**66'634**	**198'917**

Consolidated Statements of Changes in Equity

CHF thousand
(unaudited, condensed)

[A] Implementation of the authorized capital increase of 10% as of 12.03.2021 with publication in the SOGC
[B] Net, after deduction of income taxes

	Share capital	Share premium	Changes in fair value of foreign exchange forwards	Other retained earnings	Own shares	Shareholders' equity
Balance 01.04.2020	**127**	**62'158**	**–140**	**343'886**	**–4'081**	**401'950**
Net income				**21'127**		**21'127**
Changes of foreign exchange forwards			–80			–80
Income taxes on items recognized directly in equity			15			15
Dividends paid						0
Changes in own shares		487			174	661
Balance 30.09.2020	**127**	**62'645**	**–205**	**365'013**	**–3'907**	**423'673**
Balance 01.10.2020	**127**	**62'645**	**–205**	**365'013**	**–3'907**	**423'673**
Net income				**31'188**		**31'188**
Changes of foreign exchange forwards			768			768
Income taxes on items recognized directly in equity			–143			–143
Capital increase[A]	13	203'610				203'623
Transaction costs for capital increase[B]		–3'296				–3'296
Dividends paid						0
Changes in own shares						0
Balance 31.03.2021	**140**	**262'959**	**420**	**396'201**	**–3'907**	**655'813**
Balance 01.04.2021	**140**	**262'959**	**420**	**396'201**	**–3'907**	**655'813**
Net income				**23'915**		**23'915**
Changes of foreign exchange forwards			–324			–324
Income taxes on items recognized directly in equity			60			60
Dividends paid						0
Changes in own shares		673			76	749
Balance 30.09.2021	**140**	**263'632**	**156**	**420'116**	**–3'831**	**680'213**

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, biotech, and pharmaceutical industry. DOTTIKON ES Group is specialized in hazardous reactions and positions itself as strategic development and manufacturing partner and performance leader. DOTTIKON ES Group uses, maintains, and continuously expands its versatile technology and equipment portfolio to design, develop, and optimize chemical processes and technical manufacturing procedures for the rapid scale-up from kilograms to multi-tons in order to produce and deliver the respective market volumes.

According to Swiss GAAP FER 31 "Complementary Recommendation for Listed Public Companies", the reportable operating segments are determined using the segment reporting to the top management level for corporate management. DOTTIKON ES Group's top management level 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 performance leadership strategy as strategic partner and specialist for hazardous reactions. DOTTIKON ES Group mainly executes strongly heterogeneous projects with a focus on the exclusive synthesis of fine chemicals. Therefore, a differentiation in several operating segments is not informative. The financial reporting to the Board of Directors is prepared in a single segment. DOTTIKON ES Group allocates resources and assesses their performance on entity level.

Therefore, the required information according to Swiss GAAP FER 31.8 "Segment Reporting" is shown in the consolidated interim financial statements.

2 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The consolidated interim financial statements were approved for issue by the Board of Directors on November 18, 2021.

No significant events have occurred between September 30, 2021, and November 18, 2021, 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 2021/22
May 31, 2022

Annual General Meeting for the Business Year 2021/22
July 1, 2022

Issue Half-Year Report 2022/23
November 29, 2022

DOTTIKON ES HOLDING AG is listed on the SIX Swiss Exchange.
Symbol: DESN
Security number: 58258171
ISIN: CH0582581713

Dottikon ES Holding AG
P.O. Box
5605 Dottikon
Switzerland

Tel +41 56 616 82 01
Fax +41 56 616 89 45
www.dottikon.com

Contact
Marlene Born, CFO
investor-relations@dottikon.com

DOTTIKON ES manufactures high-quality performance chemicals, intermediates, and exclusive active pharmaceutical ingredients (APIs) for the world's leading chemical, biotech, and pharmaceutical industry. The company with its production site in Dottikon (Aargau, Switzerland) is specialized in hazardous reactions and positions itself as strategic development and manufacturing partner and performance leader. Its safety culture created over the past 105 years guides the innovative use of hazardous reactions, low-temperature and high-pressure chemistry, as well as continuous processing in order to challenge, tighten, or shorten conventional chemical synthesis routes, improve selectivities, yields, and purities, and reduce waste. The versatile technology and equipment portfolio is used, maintained, and continuously expanded to design, develop, and optimize chemical processes and technical manufacturing procedures for the rapid scale-up from kilograms to multi-tons in order to produce and deliver the respective market volumes.

DOTTIKON ES' one-site strategy allows short decision and communication pathways. This ensures rapid and efficient project development, clear and transparent data and process documentation, and close customer communication.

Dottikon ES Holding AG
P.O. Box, 5605 Dottikon, Switzerland, Tel +41 56 616 82 01, Fax +41 56 616 89 45, www.dottikon.com