

2023/24 Condensed Half-Year Report

More than
Hazardous
Reactions.

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Dear Shareholder,

If the functioning social structures with population growth and increasing prosperity are to be maintained, we will have to accept the associated increase in entropy. The challenge lies in the sustainable organization of this entropy increase.

Along with the publication of the Half-Year Report 2023/24, for the first time, DOTTIKON ES Group publishes the anticipated Sustainability & Corporate Responsibility Report 2022. The new non-financial reporting obligations according to the Swiss Code of Obligations will be applicable from 2023, followed by the new transparency obligations for climate risks from 2024 onwards. Further, the Swiss population has voted in favor of the Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security. This law mandates DOTTIKON ES Group to achieve net-zero greenhouse gas emissions by 2050 for at least the direct emissions caused by its operations (Scope 1 according to the Greenhouse Gas [GHG] Protocol) as well as those indirectly caused through purchased energy (Scope 2). A main challenge lies already in the many assumptions with great uncertainties for the greenhouse gas emission estimates, in particular with the required inclusion of the entire value chain. This inevitably results in excessive bureaucracy to monitor and prevent cosmetically improved calculations – so called green-washing, which is already done opportunistically by governments and companies on a grand scale. Yet this formal aspect is only the beginning, as the ultimate real challenge lies in the technical and economic feasibility of net zero. A section of this shareholder letter will be dedicated to this challenge in the context of DOTTIKON ES Group.

Half-Year Report

Herewith we present to you DOTTIKON ES Group's Condensed Half-Year Report 2023/24 for the period from April 1 to September 30, 2023.

At CHF 152.6 million, net sales in the first business half-year 2023/24 were 14.0 percent higher than in the previous-year period and were broad-based in terms of products and customers. The production output – net sales plus inventory changes in semi-finished and finished goods – was 2 percent lower in the first business half-year 2023/24, taking into account the higher materials share related to the product mix in the previous-year period, which was up 5.5 percentage points or CHF 8.7 million. This demonstrates the high utilization of the existing plants and the necessity of the new plants currently under construction for additional capacity to continue the growth path hitherto. Material expenses were down 22.7 percent compared to the previous-year period at CHF 41.7 million (previous-year period: CHF 53.9 million) due to a less material-intensive product mix and accounted for 28.5 percent (previous-year period: 34.1 percent) of the production output. Personnel expenses rose by 6.5 percent to CHF 42.7 million compared to the previous-year period due to higher salaries and a 3.6 percent increase in the average staff number. In combination with other operating expenses of CHF 7.9 million below the previous-year period's figure, mainly due to higher costs and provisions made for the disposal of burdened soil in the previous-year period, EBITDA was 11.8 percent higher at CHF 52.6 million (previous-year period: CHF 47.1 million), with a lower EBITDA margin of 34.5 percent (previous-year period: 35.2 percent). Without the two effects of the more material-intensive product mix and the disposal of burdened soil in the previous-year

KEY FIGURES, APRIL–SEPTEMBER

CHF million (unaudited)	2022	2023	Changes
^With employment contract			
Net sales	133.8	152.6	14.0%
EBITDA	47.1	52.6	11.8%
EBITDA margin (in % of net sales)	35.2%	34.5%	
EBIT	37.5	42.6	13.5%
EBIT margin (in % of net sales)	28.0%	27.9%	
Net income	38.9	37.4	-4.0%
Net income margin (in % of net sales)	29.1%	24.5%	
Cash flow from operating activities	49.4	50.0	1.2%
Employees [^] (FTEs, six-month average)	670	694	3.6%

period, the EBITDA margin in relation to the production output was comparable with the previous-year period. With depreciation and amortization of around CHF 10 million, EBIT was CHF 42.6 million, 13.5 percent above the previous-year period, with an EBIT margin of 27.9 percent (previous-year period: 28.0 percent). After the financial result, net income before taxes was CHF 42.9 million (previous-year period: 37.1 million), 15.7 percent above the previous-year period. The lower income taxes in the previous year due to the newly applicable reduced income tax rate and the related extraordinary income due to a one-time revaluation of deferred tax liabilities resulted in a net income of CHF 37.4 million (previous-year period: CHF 38.9 million), 4.0 percent lower than in the previous-year period, with a net income margin of 24.5 percent (previous-year period: 29.1 percent). Without the extraordinary income effect, the previous-year period's net income margin would have been 24.2 percent.

Cash flow from operating activities was CHF 50.0 million, slightly above the previous-year period. Property, plant and equipment rose by CHF 91.2 million in the first business half-year as a result of ongoing strong investments. Cash outflows from investment activities were CHF 72.4 million, up 39 percent compared to the previous-year period. Cash and cash equivalents and current financial assets were up CHF 16.9 million in the reporting period and were CHF 236.2 million at the end of the first business half-year. As planned, a further CHF 40 million of the committed bank loans were drawn and attributed to the non-current financial liabilities in the reporting period. Shareholders' equity was up CHF 38.6 million at CHF 841.6 million in the reporting period, while the equity ratio was down from 76.2 percent to 71.8 percent, mainly due to an increase in financial liabilities, higher accruals, and higher trade payables, the two latter ones mainly related to the plants under construction.

For the ongoing full business year 2023/24, we expect net sales above the previous year's figure. Expansion and buildup of new manufacturing capacities and infrastructure for ongoing growth continues. The construction of the new drying and chemical multipurpose production plants for APIs progresses according to plan. The plants will become operational in 2024 and 2025. The building construction is largely complete, and the interior installations are progressing.

Assessment of situation

The dipolar world order has solidified and is shaping the geopolitical tensions caused by the struggle between the United States and China to secure future world supremacy. The alliance partnerships accentuated by the war in Ukraine, have further intensified both on the US side and the Chinese side as a result of the Hamas attack on Israel. Europe seems to be becoming increasingly aware of the existential necessity of an explicit commitment to its US alliance and a clear political distance to China. At the same time, an unholy alliance is forming around China with Russia, North Korea, and Iran. This alliance focuses on the mutual exchange of military weapons and technology with the sole common purpose of challenging and fighting the United States' hegemonial power. With its path of investment diplomacy, China has expanded and strengthened its influence. Developing nations with key raw material reserves were actively tied to China and are now being used to expand the military and geopolitical power zone to create an alternative world order with China at the top. According to the United States' National Security Strategy report, China is the only competitor in the world that not only has the intention to reshape the world order, but also has the economic, diplomatic, military, and technological power to do so. The United States view the coming ten years as the self-declared decisive decade in this matter. The struggle to defend and expand their political and military power is costly and time-consuming for both sides, especially in times when political upheavals and the outbreak of new military conflicts seem to be the order of the day. All this in an environment of an increasingly apparent global economic downturn of potentially monstrous proportions due to record-high government debt, high inflation rates, rising interest rates and migration waves, as well as the negligent shutdowns and conversion of energy infrastructure in Europe as part of the energy transition combined with the simultaneous neglect of a buildup of new infrastructure. The latter is leading to an industrial exodus, particularly in Europe, and an increase in the already high dependence on China. Paradoxically enough, immense subsidy packages are being made available in both the United States and in Europe to allegedly increase supply security, promote domestic industry, reduce

dependence on foreign countries and implement climate policies. In the end, most of these subsidies end up in the pockets of Chinese suppliers, who can increase their prices thanks to these subsidies.

The United States' public debt has increased four-fold over the last ten years and grew by 50 percent in the last four years alone. By now, public debt represents more than 120 percent of the nation's gross domestic product (GDP). The expected 10-year Treasury yield in the US is now nearly 5 percent. The mean value of EU member state government debt is 84 percent of GDP. The money supply caused by high government debt has led to high inflation and forced the national banks to raise their key interest rates in rapid succession to a level that takes a heavy toll on the national budget of countries with high debt levels in case of due replacements or a further increase of debt. At the same time, despite the forecasts, inflation remains at high levels due to an increase in structural costs as a result of the politically enforced energy transition in combination with the war in Ukraine and excessive bureaucracy and over-regulation, net-zero targets for greenhouse gas emissions, and the elimination of self-regulating market forces. In combination with the efforts to disentangle geopolitical ties and reduce the related risk and high dependence on China, which are being strategically promoted by the United States and are now also increasing in the EU, inflation is more and more a result of a further increase in structural costs. To combat the latter, interest rate hikes are not as effective as they are in case of purely money-supply related inflation. Chinese exports are declining on the back of the described geopolitical disentanglement. At the same time, a real estate crisis is brewing in China. This sector was China's most important growth driver in the past. In order to counteract speculation, the Chinese government has restricted financing options for real estate developers and buyers. Some large real estate developers are now faltering on the back of this development or have already gone bankrupt. As the majority of financing was provided by domestic banks, this, together with the general economic slowdown, may also lead to a Chinese banking crisis. Officially, China's debt is 70 percent of GDP, but when local government financing vehicles are taken into account, the debt rate is around 100 percent

of GDP. This development will adversely affect Chinese consumption and further weaken China's, but also the world's, economic growth rates. According to IMF estimates, China contributes 35 percent to global economic growth.

The central banks face the dilemma that excessively high interest rate hikes will lead to a hard landing and drive heavily indebted governments further into the debt trap. Overly low interest rates, on the other hand, prevent central banks from curbing inflation, which will result in a loss of wealth and in social tension. The current higher interest rates are already slowly, but steadily shedding a light on the risks that have built up on real estate and banking balance sheets over the past years. If a critical number of market participants becomes aware of these risks, this will quickly turn into a wildfire and result in a major financial crisis.

Against this background, a global economic slump is to be expected, with lasting high interest rates and inflation or rather higher intrinsic structural costs. Given the economic and political challenges the two rivals face, neither the United States nor China have an interest in an immediate military escalation in the South China Sea. Despite a tense economic environment and higher costs, this time must be used to further disentangle dependencies and thus reduce the geopolitical risks in the value chains.

Net zero

Greenhouse gas emissions are converted into CO₂ equivalents (CO₂-eq) according to their effect compared to CO₂ and are reported accordingly. For the sake of simplicity, only the term CO₂ is used here.

CO₂ emissions are the product of population number multiplied by prosperity level (GDP per person), energy efficiency (energy consumption per activity), and CO₂ intensity (CO₂ emission per usable energy unit). Technological progress can improve energy efficiency and CO₂ intensity. The most important drivers, however, remain population size and degree of prosperity. A growing population with increasing prosperity leads to high energy and material consumption and therefore to significant entropy increase and, as a result, to more disorder or

destruction. Entropy is a thermodynamic parameter to measure disorder in a system. If order is created at one place in the system, the same amount or more disorder is created at another place in the system. In a closed system, spontaneous processes are irreversible. There are no possibilities to reverse irreversible processes in any way while at the same time returning all aids used for it back into their original state. Entropy, therefore, always increases. If the functioning social structures with population growth and increasing prosperity are to be maintained, we will have to accept the associated increase in entropy. The challenge lies in the sustainable organization of this entropy increase. The increase should be organized along the following entropy efficiency principles and priorities and affects all functional structures at global, regional, and local levels, as well as biological (habitats and settlement structures), industrial and economic (production and distribution) and social structures: (1) more efficient and longer use of existing structures; (2) recycling and reuse of existing structures at high value levels; and (3) focus on more sustainable approaches when expanding or replacing structures with new ones. In addition, DOTTIKON ES' business priorities are as follows: (1) ensuring the supply of active pharmaceutical ingredients for humans and animals; (2) compliance with laws, regulations, and industry standards; (3) creating long-term added value for customers, employees, suppliers, and shareholders; and (4) sustainability in the form of the described entropy efficiency.

In Switzerland, according to the Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security, the federal government must ensure that man-made greenhouse gas emissions are zero by 2050. Greenhouse gas emissions are to be avoided as much as possible, and remaining greenhouse gas emissions are to be offset by applying negative emission technologies in Switzerland and abroad. After 2050, the amount of CO₂ removed and stored must outweigh the remaining greenhouse gas emissions. As an intermediate reduction target, the law stipulates a reduction of at least 75 percent of greenhouse gas emissions until 2040 versus the 1990 baseline. In the wording of the Federal Act, the reduction targets must be technically and economically feasible. Compared to 1990, Switzerland

reduced its CO₂ emissions by around 18 percent until 2021, with the industrial sector reducing its emissions by as much as 21 percent over the same time period. This was achieved not only through increased efficiency, but also by outsourcing energy-intensive production steps to other countries, such as China. The Federal Act on Climate Protection Targets, Innovation and Strengthening Energy Security mandates DOTTIKON ES Group to achieve net-zero greenhouse gas emissions by 2050 for at least those emissions caused directly by its operations (Scope 1) and those indirectly caused through purchased energy (electricity, heating and cooling of buildings; Scope 2). The other emissions from activities in the upstream or downstream value chains outside the company's premises are referred to as Scope 3. In addition to the direct (Scope 1) and indirect (Scopes 2 and 3) emissions, there is also the concept of avoided emissions, often referred to as Scope 4 (not part of the GHG Protocol terminology). These are potential emissions that are avoided as a result of measures taken to avoid emissions that otherwise would have occurred. In the case of DOTTIKON ES' business activities, these are reductions in material and energy use through shorter synthesis routes, more efficient manufacturing processes with high selectivities, yields, and purities as well as reduced energy consumption, also taking into account the raw materials in use. In line with the entropy efficiency priorities, waste materials shall be recycled, materially or thermally reprocessed according to the priorities described earlier. This reduces waste and ultimately (CO₂) emissions. Scope 4 is the most important lever to secure long-term lower Scope 1, 2, and 3 emissions.

DOTTIKON ES is a strongly backward integrated Custom Development and Manufacturing Organization (CDMO) with a one-site strategy in Dottikon (Aargau, Switzerland). DOTTIKON ES' only Scope 2 emissions are the externally sourced electricity from nuclear power with around 16 g CO₂/kWh (depending on the assumptions and political orientation of the source; the literature values vary between 5 and 115 g/kWh). In terms of DOTTIKON ES' annual electricity consumption at around 23 MWh, this corresponds to CO₂ emissions of around 370 tons. Offsetting these emissions will not be possible with hydro and wind energy (8 to 73 g/kWh),

given that their CO₂ intensities are comparable to those of nuclear energy. Photovoltaics already perform significantly worse (28 to 179 g/kWh). For the sake of completeness, it should be mentioned here that with a view to electricity from hydro, wind, and photovoltaic sources, the storage for the generation fluctuating around the generation average (day/night, weather, seasons) has been taken into account. Far behind is biogas (400 to 450 g/kWh), followed by natural gas, oil, lignite and hard coal with significantly higher CO₂ intensities.

Conclusion in terms of electrification: Electrifying fossil energy consumption only begins to make sense when hydro, wind, nuclear, and photovoltaic electricity generation capacities have been increased significantly worldwide. Otherwise, the additional electricity needs will be covered by low-cost fossil sources, which cost about half to one-fifth of the average cost of electricity generated by photovoltaic sources, the most expensive of the four alternatives, including storage but not taking into account the related subsidies, CO₂ compensation payments as well as other theoretical external costs. According to German economist Prof. Dr. Hans-Werner Sinn: If Europe is to reduce its CO₂ emissions single-handedly, prices for fossil fuels will fall, and these fossil fuels will subsequently be used for more energy generation elsewhere. Moreover, the enormous transformation costs in terms of energy and infrastructure to achieve the energy transition, such as generation, storage, distribution networks, and back-up capacities to be built in a short timeframe, initially result in a substantial increase in the consumption of fossil energy. In the period from 2015 to 2022, this increase corresponded just to the additional creation of renewable energy capacities of 30'700'000 T Joule (T is for Tera, 10¹²). The extraction of raw materials needed for alternative energy requires a lot of energy. The vast number of components for renewable energy is mainly produced in China. In China, more than 60 percent of the electricity is generated with coal, and additional coal-fired power plants with a combined capacity of 366 GW are currently in the planning or construction phases. In 2022 alone, two new coal-fired power plants were approved for construction each week, which represents 106 GW. This capacity is four times larger than that generated by all coal-fired plants approved for construction in China a year earlier. To put it in other

words, the capacity of these plants is almost double that of all 57 nuclear power plants in construction worldwide combined or more than one-fourth of all 438 nuclear power plants currently in operation around the globe. In addition, the energy transition in Europe goes hand in hand with high opportunity costs as existing, functioning systems are deliberately no longer used, which fundamentally contradicts the principle of entropy efficiency.

DOTTIKON ES' Scope 1 emissions are around 16'000 tons of CO₂ per year. Broken down by purpose, 87 percent are waste incineration (60 percent of which with thermal recovery in the form of steam generation), 10 percent steam generation with fossil fuels, and 3 percent heating of buildings, transport, and emergency power generated with oil and diesel. Broken down by CO₂ sources, 83 percent are from incinerated waste materials, 13 percent from oil/diesel, and 4 percent from natural gas. A year earlier, before the gas shortage caused by the war in Ukraine, the two latter ones accounted for 12 percent (natural gas) and 7 percent (oil/diesel). Replacing the fossil energy with additional thermal recovery from waste incineration would increase the Scope 1 emissions by around 1.5 tons of CO₂ for each reduced ton from fossil sources due to lower efficiency and higher CO₂ intensity. If this increased Scope 1 is captured on site at the point source, liquefied, and stored using negative emission technologies, the CO₂ emissions increase to almost the double of the original Scope 1 due to the large amount of energy required in the form of heat and electricity, if these additional CO₂ emissions are again also captured. According to current estimates, the required investment would amount to around CHF 50 million, with annual costs of around CHF 16 million. This translates into CHF 480 per captured ton of CO₂, with post combustion capture plants for point sources of special waste incineration plants not yet available off the shelf. Some technical challenges would therefore still have to be solved first, which in turn could result in additional costs. Such plants, after all, have so far only been built and operated on industrial scale for natural gas and cement plants, where emissions are much more determined and constant in their composition. As an alternative, CO₂ could be extracted directly from the air using Direct Air Capture (DAC) technologies. The costs for this procedure are also estimated at CHF 400 to

CHF 500 per captured ton of CO₂, which would correspond to annual costs of CHF 7 million to CHF 8 million. A request to the two market leaders in this field for a binding offer to offset DOTTIKON ES' annual CO₂ emissions has so far remained unanswered. The total of global DAC capacities in operation today are still at pilot scale and correspond to around DOTTIKON ES' total annual CO₂ emissions. Another alternative lies in afforestation. This would require an area of around 8 km², which would reach its full potential beyond 30 years only. The latest scandals surrounding South Pole have shed a bad light on afforestation measures abroad. A scientific study carried out in collaboration with ETH Zurich of 2'000 carbon offset projects concluded that on average only 12 percent of the offset certificates represented the actual reductions in emissions. In Switzerland, preliminary evaluations showed that it would be difficult to find a sufficient afforestation area at a certain altitude above sea level where the trees could develop suitably for the intended purpose. Moreover, it is questionable whether the afforestation of agricultural land would be permissible from a regulatory perspective. In Switzerland, the estimated costs would be around CHF 390 per ton of CO₂, with investments of around CHF 200 million and annual costs of around CHF 6 million.

If the Scope 3 emissions, which are still rather difficult to assess but are estimated to be around 4 to 9 times higher than Scope 1 and 2 emissions, are taken into account, net zero over all scopes would cost DOTTIKON ES tens of millions of Swiss francs per year, even considering that suppliers may be able to achieve their transformation at lower costs based on reduced regulatory requirements for their respective sectors. In the end, this makes life-saving drugs more expensive, and the end consumers and hence the population will have to stem the additional cost for net zero along the entire value chain.

Conclusion in terms of carbon capture: Carbon capture technologies today are still too far away from technical maturity and therefore not available at economically viable costs, although emerging providers currently promise in their discussions with financial investors that the cost will eventually be around CHF 50 to CHF 100 per ton of CO₂, which would roughly correspond to today's CO₂ emission allowance costs.

Conclusion in terms of feasibility of net zero 2050: From today's vantage point, the net-zero goal for 2050 is not yet feasible technically and may never be feasible from an economic or sociopolitical point of view in the given timeframe. As a result, it is unrealistic despite being required by law. It must therefore be assumed that the legal targets and framework conditions will inevitably have to be adjusted and loosened significantly and corrected over time. The first minor downgrades of the ambitious targets and implementation measures have already been seen and initiated in the UK and in Sweden, for example, but also at EU level. This is just the beginning. Along with other organizations, the International Energy Agency no longer considers achieving the 1.5°C target to be realistic from today's point of view. This creates great legal uncertainty and is not a good prerequisite and basis for the necessary high-cost, large-scale infrastructure investments such as CO₂ capture, pipelines, and storage sites.

Biopharma market

Demographic developments of an increasingly aging population with the associated rise in drug demand especially in developed countries with high purchasing power, the accelerated market approvals for novel drugs, the growth of biosimilars as well as government attempts to reduce drug prices and health care costs remain key medium- to long-term volume growth and innovation drivers in the biopharma market. In the medium term, expected global annual volume sales growth still stands at around 2 percent, which roughly corresponds to the growth in population of those over 65 years old. Global life expectancy will continue to rise, not least thanks to progress in the treatment of cancer, the second most common cause of death worldwide. High-income regions with established health care systems, such as the United States, Western Europe, and Japan, will have significantly lower volume growth due to moderate population growth with already saturated access to drugs. India, on the other hand, along with other nations in Asia, Latin America, Africa, and the Middle East, will clearly outgrow the global market in terms of volume, driven by population growth and increasingly better access to drugs. Most indications have shown annual volume growth rates over the

past ten years. Within the coming five years, the drug sales market is estimated to rise to CHF 1'700 billion. Sales growth is expected to vary depending on the region and the prevalent influencing factors. The largest drug sales market – the United States with a market share of over 40 percent – will grow by less than 2 percent annually overall due to changes in the use of drugs, new treatment methods, patent expiries with competition from generics and biosimilars, as well as increased deductions and discounts on drug list prices in the coming years as a result of new regulations such as the Inflation Reduction Act (IRA). The expected annual growth rates for Europe are 5 to 6 percent, for China 2 to 5 percent, and for Japan nearly zero.

Sales with already introduced but still patent-protected drugs and new drug approvals will likely rise by more than CHF 240 billion over the coming five years. This growth is offset by a decline in sales due to the loss of exclusivity of important drugs of CHF 130 billion. The IRA leads to a development reprioritization with a view to the targeted indication areas. The approach favored by biotechs to date of initially gaining market access with small indications with lower costs and then move into the larger, but more cost intensive ones, is now put into question given the lower return perspective after 9 years for small molecules and 13 years for biologics and the impact this has on company valuations.

Generics and biosimilars represent about 90 percent of the global drug market volume, with patent-protected innovative drugs accounting for the remaining 10 percent. The latter, however, account for 60 percent of the drug sales market. If we consider only the developed biopharma markets, patent-protected innovative drugs account for 75 percent of sales. In other words, 90 percent of patent-protected innovative drugs are sold in developed biopharma markets. This comprises a market volume of around CHF 720 billion, which is expected to grow at annual growth rates of 3 to 6 percent by between CHF 180 billion and CHF 230 billion to more than CHF 900 billion over the next five years. Small molecule drugs accounted for around 65 percent of global sales in 2022, followed by biologics at 30 percent. The sales market share of biologics is expected to increase to around 35 percent over the next five years.

After four consecutive half-years with decreasing numbers for FDA new drug approvals, the negative trend came to a halt. New drug approvals for the first half of 2023 were increasing again, and this trend reversal appears to continue in the second half. Following 35 market approvals granted until the third quarter, a total of 55 new market approvals are expected for the full year 2023.

In the current market environment of rising interest rates and hence more difficulties to raise capital as well as lower biotech corporate valuations, market activity is shifting increasingly in favor of established biopharma companies. These companies use the lower valuations for acquisitions and in-licensing of innovative drug candidates to refresh their development pipelines. Biotechs with products only in the Preclinical or Phase I stages face increased headwind in their efforts to finance further clinical phases. Financial investors will be far less willing to take the associated risk in the economic environment described earlier if they can obtain a 5 percent yield with 10-year Treasury bonds. The result are massive job cuts and business closures on the east and west coasts of the United States. Biotech companies with drug candidates in later development stages are bought up by established biopharma companies if they are unable to generate the necessary funds themselves. The first M&A and in-licensing transactions are already underway. All in all, this is likely to lead to a deceleration in the development of new APIs and a consolidation of the market that has been overheating over the last few years. However, the improved molecular biological understanding of the human metabolism and the improved early scientific selection of effective drug candidates, the accelerated market approval, and the growth and return perspectives for innovative drugs keep the number of novel drug candidates and new drug approvals at a high level over the coming few years. The increasingly specific and more targeted drugs lead to more complex and longer manufacturing routes, which results in a higher number of production steps under the strongly regulated current good manufacturing practice (cGMP) quality standards for the production of APIs. The cross-industry disentanglement and the diversification of geopolitical risks through repatriation, near- and onshoring will also contribute to the need and demand

for high-quality development and manufacturing capacities, despite a challenging economic environment. In combination, this results in ongoing high demand for high-quality, technologically versatile chemical process development and production capacities for the manufacturing of small molecule APIs in the medium to long term.

Outlook

DOTTIKON ES started preparing for the expected increase in demand for chemical development and manufacturing capacities related to stricter regulatory requirements, innovation, and repatriation years ago. In a first phase, we invested in additional development and quality management capacities. In a second phase, production capacities in existing plants were expanded and bottlenecks were eliminated through targeted investments in order to increase their output. In the current third phase, DOTTIKON ES focuses on the construction of new chemical production and drying plants for APIs, new warehouse capacities, and an expansion of infrastructure. In addition, it is important to secure the energy supply in the short, medium, and long term. With DOTTIKON ES' own photovoltaic system on the roof of the new raw materials warehouse, which went into operation in the last business year, and the further planned photovoltaic systems on the rooftops of new warehouses, up to 5 percent of the company's annual electricity consumption will be generated on-site. With the new backup electricity supply plant compliant with the Ordinance on Air Pollution Control, scheduled to become operational in 2024/25, DOTTIKON ES will become able to cover its full electricity consumption on-site over longer time periods in the event of electricity shortages. In addition, efforts with customers to increase the efficiency of manufacturing processes and the applicable regulatory framework for APIs are being intensified – to increase yields, reduce waste and energy consumption, and with the aim to lower the related CO₂ emissions and production costs. DOTTIKON ES invests a total of around CHF 700 million in new production and drying plants for APIs as well as in infrastructure and will create over 200 new jobs in Research and Development, Production, Quality Management, as well as Technology and

Engineering at its production site in Dottikon (Aargau, Switzerland). The new API drying plant and the new chemical multipurpose production plant will become operational in 2024 and 2025, respectively, followed by the new API pilot plant. This will almost double the available high-quality production capacity at the site and allows to capture disproportionately high market growth in the custom process development and manufacturing of innovative patent-protected APIs. For the ongoing full business year 2023/24, investments will remain high.

The one-site 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 strategy. In doing so, we create more value for our customers than our competitors. We continue to focus on safety, reliability, high quality and flexibility, and speed, and are thus strengthening our position as strategic development and manufacturing partner. DOTTIKON ES' one-site strategy allows reduced decision and communication pathways. This ensures rapid and efficient project development and management, clear and transparent data and process documentation, and close customer communication. Its safety culture created over more than 110 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, as well as avoid and reduce energy consumption, waste, and CO₂ emissions sustainably. 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. The small molecule biopharma API market is and remains DOTTIKON ES' main market with ongoing profitable growth potential. The utilization of existing plants is kept at a high level until the additional new plants become operational. In order to secure long-term growth, our independent

Performance Chemicals unit continues to develop new, innovative products to satisfy currently unmet market needs outside the pharmaceutical market and brings these products closer to market readiness. It also pursues opportunities in the industrial chemicals sector. For the ongoing full business year 2023/24, we expect net sales above the previous year's figure and ongoing strong growth in the medium term.

Dottikon, November 21, 2023

A handwritten signature in black ink, appearing to be 'M. Blocher', written in a cursive style.

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)

	2022	%	2023	%
Net sales	133'785	100.0	152'561	100.0
Changes in semi-finished and finished goods	24'243		-6'284	
Other operating income	4'438		4'284	
Material expenses	-53'919		-41'679	
Personnel expenses	-40'077		-42'702	
Other operating expenses	-21'407		-13'555	
Operating result before depreciation and amortization (EBITDA)	47'063	35.2	52'625	34.5
Depreciation and amortization	-9'541		-10'051	
Operating result (EBIT)	37'522	28.0	42'574	27.9
Financial income	963		1'414	
Financial expenses	-1'373		-1'045	
Financial result	-410		369	
Result from associated companies	0		0	
Net income before taxes	37'112	27.7	42'943	28.1
Income taxes	1'817		-5'559	
Net income	38'929	29.1	37'384	24.5
Basic/diluted earnings per share in CHF	2.82		2.71	
Weighted average number of shares	13'811'704		13'815'323	

Consolidated Balance Sheets

CHF thousand and %
(unaudited, condensed)

	31.03.2023	%	30.09.2023	%
Cash and cash equivalents	189'235		191'178	
Current financial assets	30'000		45'000	
Trade receivables	70'506		70'780	
Other receivables	4'767		6'200	
Inventories	167'097		173'893	
Prepaid expenses and accrued income	2'593		3'672	
Current assets	464'198	44.0	490'723	41.9
Property, plant and equipment	542'199		633'399	
Intangible assets	246		400	
Investments in associated companies	1'928		1'928	
Assets from employer contribution reserve	45'526		45'526	
Non-current assets	589'899	56.0	681'253	58.1
Assets	1'054'097	100.0	1'171'976	100.0
Trade payables	11'805		23'968	
Income tax liabilities	5'064		10'616	
Other current liabilities	47'866		48'200	
Current provisions	2'035		1'904	
Accrued expenses and deferred income	86'348		107'122	
Current liabilities	153'118	14.5	191'810	16.4
Non-current financial liabilities	60'000		100'000	
Non-current provisions	9'520		10'032	
Deferred tax liabilities	28'491		28'542	
Non-current liabilities	98'011	9.3	138'574	11.8
Liabilities	251'129	23.8	330'384	28.2
Share capital	140		140	
Share premium	264'418		265'254	
Retained earnings	542'204		579'912	
Own shares	-3'794		-3'714	
Shareholders' equity	802'968	76.2	841'592	71.8
Shareholders' equity and liabilities	1'054'097	100.0	1'171'976	100.0

Consolidated Cash Flow Statements

April–September
CHF thousand
(unaudited, condensed)

	2022	2023
Net income	38'929	37'384
Income taxes	-1'817	5'559
Financial result	410	-369
Depreciation of property, plant and equipment	9'445	9'971
Amortization of intangible assets	96	80
Result from associated companies	0	0
Other non-cash income and expenses	466	-121
Interest received	8	1'170
Interest paid	-161	-6
Income taxes paid	-21	-13
Changes in		
Trade receivables	14'621	-271
Other receivables as well as prepaid expenses and accrued income	-1'603	-2'129
Inventories	-29'127	-6'796
Trade payables	517	2'490
Other current liabilities as well as accrued expenses and deferred income	17'582	2'682
Provisions	61	381
Cash flow from operating activities	49'406	50'012
Outflows of		
Current financial assets	-40'000	-45'000
Property, plant and equipment	-52'087	-72'136
Intangible assets	-75	-243
Inflows of		
Current financial assets	44'884	30'000
Property, plant and equipment	1	0
Intangible assets	0	0
Cash flow from investing activities	-47'277	-87'379
Dividends paid	0	0
Purchase of own shares	0	0
Disposal of own shares	0	0
Increase in financial liabilities	30'000	40'000
Interest paid on financial liabilities	-76	-411
Cash flow from financing activities	29'924	39'589
Currency translation effect on cash and cash equivalents	37	-279
Net change in cash and cash equivalents	32'090	1'943
Cash and cash equivalents at the beginning of the reporting period	141'954	189'235
Cash and cash equivalents at the end of the reporting period	174'044	191'178

Consolidated Statements of Changes in Equity

CHF thousand
(unaudited, condensed)

	Share capital	Share premium	Changes in fair value of foreign exchange forwards	Other retained earnings	Own shares	Shareholders' equity
Balance 01.04.2022	140	263'632	-457	455'490	-3'831	714'974
Net income				38'929		38'929
Changes of foreign exchange forwards			-943			-943
Income taxes on items recognized directly in equity			123			123
Dividends paid						0
Changes in own shares		786			37	823
Balance 30.09.2022	140	264'418	-1'277	494'419	-3'794	753'906
Balance 01.04.2023	140	264'418	-1'000	543'204	-3'794	802'968
Net income				37'384		37'384
Changes of foreign exchange forwards			381			381
Income taxes on items recognized directly in equity			-57			-57
Dividends paid						0
Changes in own shares		836			80	916
Balance 30.09.2023	140	265'254	-676	580'588	-3'714	841'592

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 OTHER OPERATING EXPENSES

At CHF 13.6 million, other operating expenses decreased by CHF 7.9 million. This decrease is mainly due to higher expenses in the previous-year period for ongoing costs and provisions made for the disposal of burdened soil as part of the current excavation work.

3 INCOME TAXES

In the first business half-year 2023/24, income tax expenses amounted to CHF 5.6 million, CHF 7.4 million more than in the previous-year period. Due to the approval of the proposal for a staggered income tax reduction by the popular vote in the canton of Aargau on May 15, 2022, which came into effect retrospectively as of January 1, 2022, deferred tax liabilities had to be revaluated in the previous-year period; this resulted in a tax income of CHF 6.5 million in the previous-year period. The extraordinary effect of the revaluation of deferred tax liabilities led to a total tax income of CHF 1.8 million in the previous-year period.

4 SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The consolidated interim financial statements were approved for issue by the Board of Directors on November 21, 2023. No significant events have occurred between September 30, 2023, and November 21, 2023, 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 2023/24
May 28, 2024

Annual General Meeting for the Business Year 2023/24
July 5, 2024

Issue Half-Year Report 2024/25
November 29, 2024

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

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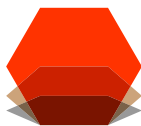
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DOTTIKON ES manufactures high-quality performance chemicals, intermediates, and exclusive active pharmaceutical ingredients (APIs) for the world's leading chemical, biotech, and pharmaceutical industry. The company with its production site in Dottikon (Aargau, Switzerland) is specialized in hazardous reactions and positions itself as strategic development and manufacturing partner and performance leader. Its safety culture created over more than 110 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, as well as avoid and reduce energy consumption, waste, and CO₂ emissions sustainably. 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 reduced decision and communication pathways. This ensures rapid and efficient project development and management, clear and transparent data and process documentation, and close customer communication.

DISCLAIMER

Statements on future events or developments, particularly on the estimation of future business, reflect the view of the management of Dottikon ES Holding AG in the moment of composition. Since these naturally contain uncertainties and risks, they are given without guarantee and any liability is denied. Dottikon ES Holding AG refuses to actualize any forward-looking statements. The internet version of these financial statements is exposed to fraudulent manipulation possibilities that are within such a medium, and is therefore without guarantee. The comprehensive Half-Year Report is available in German. Only the comprehensive German version submitted to the SIX Swiss Exchange is legally binding.



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