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MEDIA RELEASE

Dottikon, November 27, 2009

DOTTIKON ES with Lower Sales and Net Income – Investment Continues

Dottikon, Switzerland, November 27, 2009 – DOTTIKON ES Group, specialized in the exclusive synthesis of fine chemicals using hazardous chemical reactions, closed its first business half-year 2009/10 on September 30.
Net sales of DOTTIKON ES reached CHF 45.3 million and fell 42% compared to last-year period. This was due to the previously announced elimination of redundant product lines and delayed commissioning of new apparatus groups. Costs were aligned with the lower net sales for the period under review, with the result that – taking into account the divesture of property in the same period of the previous year – EBITDA margins could be maintained. However, net income declined by 68% to CHF 4.7 million as a direct result of the considerably lower net sales and extraordinary effects from the first half of the previous year.

The period under review was characterized by the ongoing worldwide recession. It remains to be seen whether the positive trend shown by leading indicators will develop into a lasting economic recovery following the end of government support programs. The economic recovery will be distinctly vulnerable to the continued rise in worldwide unemployment rates, currently around 10 percent or more, and a resulting fall in end-consumer demand.
Missing new product launches, growing sales losses due to patent expirations and government regulation of drug prices continued to increase innovation, price and margin pressures on pharmaceutical and generics firms in the period under review. Pharmaceutical companies are keeping a more watchful eye on cash reserves. They reduced their inventories massively in the period under review, while expenditure was cut in part through the deferring of development activities into the future. The resources thus freed up are being used for the acquisition of biotech firms or in-licensing. Pharmaceutical companies are questioning whether to continue carrying out the final steps of active pharmaceutical ingredient (API) production in-house. The number of suppliers along the value chain and for each individual project is being cut. But pharmaceutical companies are also initiating measures to reduce time-to-market – the effects of which, however, are not yet apparent.
Albeit stunted at present due to current economic circumstances, demand for the development under time pressure of safe and stable chemical processes with hazardous reactions for the sophisticated, high-quality multiton API production is set to increase sharply again going forward. DOTTIKON ES therefore forged ahead with expanding capacity in the first half of the business year. In medium-scale production, the installation of API separator capacity was expanded and brought on stream. In large-volume production, DOTTIKON ES expanded its corrosion-resistant glass-lined steel and Hastelloy multipurpose reactor, low-temperature, and API separator capacity. After initial technical delays, they were brought on stream successfully. The decline in net sales is firstly attributable to the previously announced elimination of redundant product lines and secondly to the delayed commissioning of new apparatus groups. The cost structure was aligned with the lower net sales for the period under review, with the result that – taking into account the divesture of property in the same period of the previous year – EBITDA margins could be maintained. Despite the considerable decline in sales and substantial cash outflow due to the high level of investment, a positive free cash flow of CHF 3.5 million was generated. Total cash and cash equivalents amounted to CHF 33.9 million at the end of the period under review, while the equity ratio was 84 percent.

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The implementation and build-on of DOTTIKON ES' strategy – performance leadership as specialist for hazardous reactions – will continue. DOTTIKON ES continues to focus on high flexibility, speed, safety, and reliability. Following the decommissioning of the redundant facilities in the first six months, expansion of production facilities for highly specialized pharmaceutical multipurpose and drying capacity will continue during the current 2009/10 business year. This marks a further important step in the transformation of DOTTIKON ES from manufacturer of industrial intermediates to performance leadership in exclusive synthesis and production of active pharmaceutical ingredients.
Owing to the previously announced elimination of redundant product lines, DOTTIKON ES expects lower net sales on an enhanced product mix for the full business year 2009/10 in comparison to the previous year.

Key Figures DOTTIKON ES Group

CHF million	FY 2008/09	HY 2008/09	HY 2009/10
Net sales	**150.3**	**78.2**	**45.3**
EBITDA	**38.6**	**24.0**	**11.9**
EBITDA margin (in % of net sales)	*25.7%*	*30.6%*	*26.3%*
EBIT	**25.9**	**17.3**	**5.2**
EBIT margin (in % of net sales)	*17.2%*	*22.2%*	*11.5%*
Net income	**22.1**	**14.5**	**4.7**
Net income margin (in % of net sales)	*14.7%*	*18.6%*	*10.3%*
Cash flow from operating activities	**46.9**	**29.8**	**18.0**
Capital expenditure	-39.8	-14.4	-14.5
Free cash flow	**7.1**	**15.4**	**3.5**

FY: Business year from April 1, 2008, to March 31, 2009
HY: Business half-year from April 1 to September 30

The Annual Report 2009/10, covering the period from April 1, 2009, to March 31, 2010, will be presented on May 28, 2010.

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DOTTIKON ES, with its production site in Dottikon (Aargau, Switzerland), is specialized in hazardous chemical reactions and focuses on the exclusive synthesis of fine chemicals for the pharmaceutical and chemical industry worldwide. The product range of DOTTIKON ES includes active pharmaceutical ingredients (APIs) and pharmaceutical intermediates as well as in-house-developed, high-value industrial chemicals.

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