

News Release

Siegfried announces capital increase and grows in core business

The Siegfried Group reports sales of CHF 283.0 million for the 2009 financial year, a 2.2% decline when compared to the previous year. While sales of active pharmaceutical ingredients (Siegfried Actives) rose by 15.3% to CHF 220.9 million, the Generics division sales fell by 36% to CHF 62.1 million compared to the previous year. The company generated earnings before interest, depreciation and amortization (EBITDA) before restructuring costs of CHF 25.3 million, or 8.9% of sales. Siegfried suffered a net loss of CHF – 35.3 million due to special write-offs on various reassessed balance sheet items. The Board of Directors proposes a capital increase to finance the rapid implementation of the growth strategy defined in the year under review.

The development of Siegfried's operating cash flow was gratifying and rose by 69.4% to CHF 45.5 million. The Siegfried Group's balance sheet remains robust with an equity financing ratio of 68.6%. Moreover, during the 2009 financial year, net debt decreased by CHF 7.9 million to CHF 63.3 million and net current assets declined by CHF 39 million to CHF 133 million. While this reduction had a positive effect on cash flow, it adversely affected the operating result.

Siegfried's core business with higher sales and earnings

In its core business with active pharmaceutical ingredients, Siegfried reports a sales growth of 15.3% in 2009 when compared to the previous year. This is considered a good result also by industry comparison. The EBITDA amounted to CHF 25.9 million, translating into an EBITDA margin of 11.7%. The customer base placing medium to large orders with Siegfried was expanded. A significant supply agreement was signed in Siegfried's business with controlled substances (including opiates) in the United States of America. A second agreement was signed in the first weeks of the 2010 financial year.

In the year under review, the generics business was once again influenced by drastic changes in the German market. Nevertheless, compared to the previous year, sales improved continuously in the course of 2009. In line with the parameters of the new strategy, projects initiated in the year under review are already based on a partnering concept.

Various special factors

In 2009, CHF 4.2 million was spent on the "Deliver" restructuring project. In terms of a new accounting practice, various balance sheet items have been reassessed and adjusted. In addition, the development costs for the PulmoJet[®] inhalation device were charged to expenses. Comparisons to the previous year are affected by two factors: the one-time royalty payment for a biogeneric drug of CHF 13.5 million and a book profit of more than CHF 13.4 million from the sale of the pharmaceutical production business in Zofingen.

Capital increase as the basis for rapid strategy implementation

During the year under review, Siegfried's Board of Directors and Management intensively dealt with and redefined the company's strategic orientation. CEO Dr. Rudolf Hako: "Siegfried is capable of producing both the active pharmaceutical ingredient and the finished dosage form of a drug. This capability characterizes the Siegfried Group's new strategic direction. The combination of these two capabilities provides us with a unique selling proposition while providing tangible benefits for our customers."

The rapid implementation of the growth strategy will require both internal and external growth and will significantly affect the company's different production sites. Both will require considerable financial means. The Board of Directors will, therefore, propose a capital increase of CHF 80 million to the annual general meeting of shareholders.

The capital increase will in all probability be implemented in the form of a mandatory convertible note with advance subscription rights.

The Camellia Group of the United Kingdom, Siegfried's largest shareholder, in considering all its portfolio investments, has decided not to participate in the capital increase and has announced its intention to dispose of its investment in Siegfried Holding AG. Siegfried is in contact with several independent investors who have shown interest in participating in the capital increase and in acquiring advance subscription rights that will not have been exercised. They have also shown interest in purchasing the Camellia Group's shares under certain conditions. Negotiations are at an advanced stage.

Further proposals to the annual general meeting

In view of the recommended capital increase and the results of 2009, the Board of Directors will propose to the annual general meeting of shareholders to forego a dividend payment for the 2009 financial year. Shareholders participating in the capital increase will earn a fixed yield of interest on the mandatory convertible bond coupon.

Siegfried's Honorary Chairman, Bernard A. Siegfried, will for age reasons resign from the Board of Directors with effect from the 2010 Annual General Meeting. He has served on Siegfried's Board of Directors since 1977 and celebrated his 75th birthday in November of last year. The Board of Directors expresses its gratitude to Bernard Siegfried for decades of exceptional service rendered to the Siegfried Group.

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About Siegfried

Active in Life Science markets, the Siegfried Group is a global manufacturer of pharmaceutical products with production facilities located in Switzerland, Germany, Malta and the USA, Siegfried currently has approximately 850 employees and achieved annual sales of approx. CHF 283 million in 2009. Siegfried Holding AG is listed on the Swiss Exchange in Zurich (SWX: SFZN).

Siegfried is active in both the primary and secondary production of drugs. The company develops and manufactures active pharmaceutical ingredients for the research-based pharmaceutical industry as well as the corresponding intermediate steps and standard products, and provides development and production services for drugs in finished dosage forms.