

Agile and Powerful into the Future



Number of worldwide Siegfried production sites, growth from 2010 to 2015.

Siegfried completed implementation of its “Transform” strategy to a large degree in the year under review. As a result, the company has in the past five years developed into a leading global supplier. Expectations for continued profitable growth are therefore high.

Siegfried launched the “Transform” strategy in 2010, a year that represents a milestone in the history of the Siegfried Group. The strategy’s main goal is to secure the company’s long-term future and, especially, to reach critical size with annual sales clearly in excess of 500 million Swiss francs. In custom manufacturing, a segment in which Siegfried is active, this amount represents a yardstick of performance in the long run. Other decisive components are innovative key technologies and expedient geographic diversification in Asia, Europe, and North America. At the end of 2015, Siegfried successfully completed implementation of the “Transform” strategy and created the preconditions for continued long-term and profitable growth.

Consistent and Step-by-Step Implementation

Following its decision five years ago to turn a new page in its corporate history by launching the “Transform” strategy, Siegfried year by year progressed toward its successful implementation. In 2015, consistent, deliberately chosen and implemented development steps translated into the successful completion of the “Transform” strategy.

The path toward today’s success involved various steps that have now merged to form a unity. The implementation steps in this relatively short period of time resulted in a proud list consisting of many concrete measures: the establishment of a unique facility for the production of high-potency active pharmaceutical ingredients in Zofingen and an efficient spray dryer in Pennsville (USA), the transition to China with a new facility in Nantong, the construction of a new production facility in Zofingen, the acquisition of Alliance Medical products in Irvine (USA), the acquisition of Hameln Pharmaceuticals (Germany), and – right at the end – the inclusion of BASF production facilities in Germany, France, and Switzerland. Some measures connected with the implementation of “Transform” remain unfinished, mainly concerning the integration of the BASF units acquired in 2015 and the careful implementation of new structures and operational procedures as the result of fast growth.

Four Strategic Streams Deduced from “Transform”

Equipped with the financial means from a capital increase, Siegfried in 2010 launched the “Transform” strategy consisting of four streams and scored solid implementation success in all aspects.

Our first strategic stream, backward integration, focused on chemical production with the aim to clearly lower factor costs in order to maintain Siegfried’s competitiveness in the market. The construction of a new production facility in Nantong (China) represented the heart of this stream. In order to ensure synergies, the new facility in Zofingen was built in an identical technical design.

Siegfried reinforced forward integration as the second strategic stream in the area of finished dosage forms. In 2010 we identified sterile filling as an especially attractive business segment. Siegfried today commands a very efficient network in this field as the result of two acquisitions: Alliance Medical Products in Irvine (USA) in 2012 and Hameln Pharmaceuticals in Hameln (Germany) in 2014.

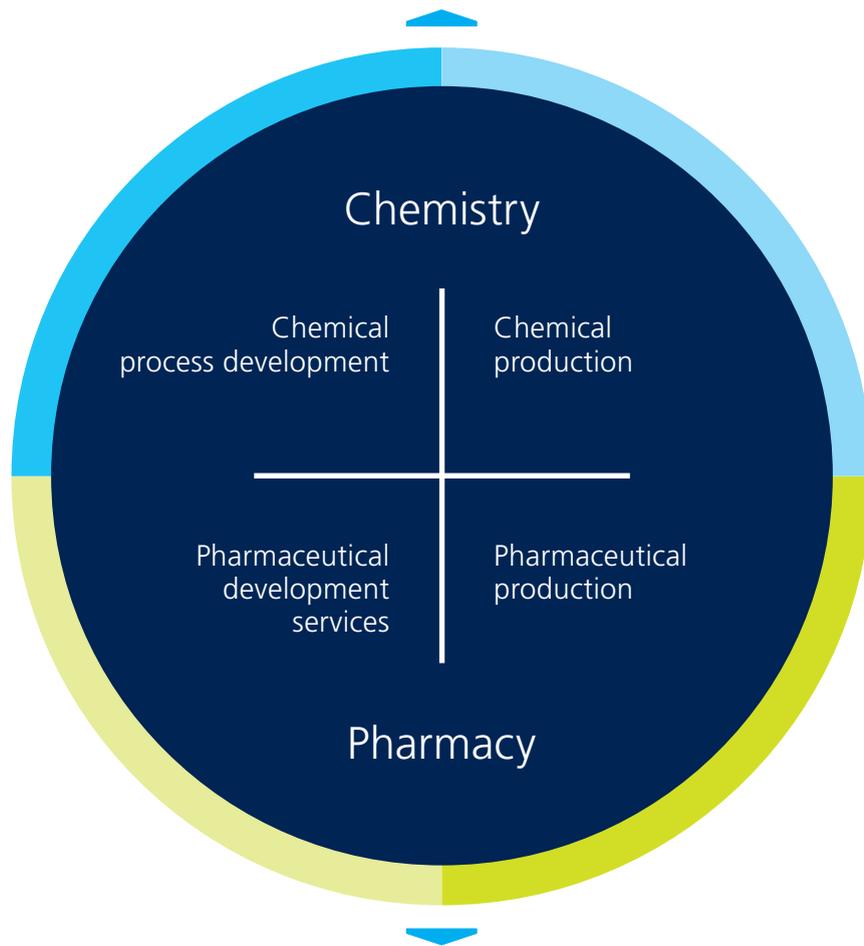
The third strategic stream aimed at efficiently complementing Siegfried’s technology in key segments. This includes the facility installed in 2012 for the production of high-potency drugs in Zofingen, a production plant for such products installed in Malta at the same time, and the putting into operation of a high-performance spray dryer in Pennsville (USA).

In terms of the fourth stream, Siegfried aimed at achieving critical size. The decisive contribution toward achieving this goal was made by the acquisition of three BASF business units in 2015. As a result, Siegfried today is a leading supplier in the custom manufacturing market.

Corporate Culture as a Strategic Factor

In the past five years, Siegfried has grown from a Swiss company with international activities to a global corporation. This calls for the constant development of Siegfried’s corporate culture in order to achieve long-term effects from implementing the “Transform” strategy. While people grow accustomed to new structures and processes fast, it is more demanding to achieve mutual understanding, trust, solidarity, and expectations of the future – not only at individual sites but beyond cultural boundaries. In the course of implementing the “Transform” strategy, Siegfried identified these issues as significant. Initial and promising implementation measures at management level were carried out in 2015, and they confirmed the significance of cultivating corporate culture. Further steps are to follow in the years to come.

Exclusive Synthesis
APIs and Intermediates
Controlled Substances



Solid Dosage Forms
Liquid Dosage Forms
Sterile Filling

The proven Siegfried formula represents the integration of chemistry and pharmaceuticals in one single business model shown in a 360° matrix.

Leading Reinsurer for the Pharmaceutical Industry

As the worldwide leading outsourcing partner in custom manufacturing, Siegfried develops and produces active pharmaceutical ingredients, intermediates, and finished dosage forms for the pharmaceutical industry.

Based on 140 years of experience and expertise in chemistry and pharmaceuticals, Siegfried, the globally leading independent custom manufacturing partner, is in a position to offer its customers in the pharmaceutical industry active pharmaceutical ingredients, intermediates, and various finished dosage forms from a single source.

Siegfried's proficiency lies in the integration of complementary capabilities along the value chain in one single business model. The appeal of this integrated approach lies in high value-added depth and efficiency. Customers benefit from synergies in quality management and the technical production process, ensuring higher reliability of delivery at lower cost. Siegfried is not in competition with its customers but focuses on providing services.

Similar to a reinsurer, Siegfried takes on development and production risks for its customers, and thus it permits them to completely or partly avoid investments in production facilities. Moreover, Siegfried is in a position to absorb production bottlenecks and help customers guarantee their delivery capacity toward their own customers. A worldwide presence with development and production sites in Europe, North America, and Asia ensures highest flexibility, best synergies, top quality, and low costs true to Siegfried's brand promise "expect more". Thanks to its sound balance sheet, Siegfried warrants security and dependability and implements larger investments in the interest of its customers.

Market Leader Thanks to "Transform"



Please find the CEO's statement about the financial year 2015 in a video at www.siegfried.ch/ceo-statement-2015-en



Why did Siegfried decide on the "Transform" strategy?

"Transform" was the result of a comprehensive reviewing process. It addressed opportunities available to Siegfried in the CMO field, such as attractive technologies, but also weaknesses, like absent backward integration and high costs at the Zofingen site, which called into question the company's competitiveness. The strategy, therefore, included offensive and defensive elements.

Which goals did you pursue with the strategy?

The aim was to lead Siegfried out of the strategic trap in which the company stuck at the end of the last decade. Let's take a brief look back: At the time, management had

restructured the company and considerably lowered costs. However, means to reposition the company were lacking. Following a capital increase at the beginning of 2010, all of the preconditions were met to implement the "Transform" strategy. In addition to the goals mentioned above – improved competitiveness and additional attractive technologies – we aimed at fast yet sustained growth to reach critical size, which is so significant in this business, and to become market leader in the CMO market.

Have you achieved your goals?

I believe that, essentially, we have reached the goals we set ourselves for this phase of corporate development, and also within the projected time period.

What does “critical size” mean, and why is it of such significance to Siegfried?

This issue involves two significant aspects: On the one hand, it is essential that we have available a certain amount of capacity for short-term orders. This requires a specific size. On the other hand, the same is true for the range of products offered. We had to decide whether we aimed to increasingly become a provider of niche products, or a comprehensive player in the CMO market. We chose the second option: our USP is the combination of chemical and pharmaceutical capabilities and, in order to remain successful in the market in the long run, a certain size is necessary.

Which were the biggest highlights?

It is not easy to define highlights from the many aspects that represent implementation. Several small intermediate steps were just as important for success as were the large ones. Three successfully implemented strategic projects gave me great satisfaction, namely the entry into sterile filling as a new key technology; backward integration as the basis of an entirely new situation in terms of marketing; and, of course, securing critical size. Thanks to these aspects it is absolutely clear to me that Siegfried will survive as an independent company.

Did you have any setbacks – and how did you overcome them?

I do not think that “setbacks” is the right word, but we did go through demanding phases. I’m thinking of the evaluation of our model for backward integration in Asia. We reviewed numerous versions, but not one was really satisfactory. In the end, we decided to set up a production facility in China ourselves with the disadvantage of not acquiring a going concern. The lively customer interest we are experiencing today proves that we took the right decision.

In this period, how has the economy developed in your markets?

The life-science industry is not particularly cyclical. That is well-known. In the CMO market, the wave of consolidation expected for a long time actually gained momentum. As early as 2010, our Board of Directors and Executive Management decided to play an active role in the consolidation phase. Furthermore, within the parameters of restructuring, large pharmaceutical companies showed, as expected, increasing interest in outsourcing, and they continue to do so today. This development represents good news for all participants in the CMO market.

How did Siegfried adjust to that?

What was decisive was that we regained our capacity to act thanks to the positive operating cash flows from active business and the capital increase implemented in 2010. Without the necessary financial means you cannot take on a decisive role. Moreover, thanks to the connection between chemistry and pharma, we developed a USP as an integrated supplier. Following several restructuring efforts, this clear profile played an important role. The fact that other companies in the CMO market now also focus on chemistry and pharma proves that we are on the right path.

When taking stock of the five years of implementing the “Transform” strategy, what is your evaluation?

We managed to resuscitate the company following a difficult period and make it the market leader in our segment. In short, “where there is a will, there is a way”.

How did you finance the various acquisitions?

We financed the first two acquisitions from our own means resulting from operational cash flow and a capital increase. The acquisi-

tion of BASF's CMO business was financed by two hybrid bonds, which were very positively welcomed by the financial market. We consider this a sign of trust.

Which strategic initiatives powered Siegfried's organic growth?

It is important to point out that our growth is not only due to acquisitions. Without the Swiss franc crisis, for instance, in 2015 we would have experienced double-digit growth in our original market segment. Investment in technologies, such as required for the production of high potency drugs, or a state-of-the-art spray dryer were essential and position us favorably in the market. The new production building in Zofingen represents an investment in the existing structure. Without this investment we today would have had to make painful cuts in Zofingen.

What is the significance to Siegfried of technological and product-related innovations?

It is important for Siegfried as market leader to offer a broad range of products, also from a technological point of view, in contrast to niche players of which there are many in our market segment. Consequently, we shall continue to attach great importance to meet as many customer requirements as possible ourselves. This includes our declared intention to invest in technology or product innovation should it be required by the customer.

Which challenges in terms of market, competition, and the general environment will Siegfried have to cope with within the next five years?

We are only at the beginning of a consolidation process in our market, and we expect the process to continue.

Consequently, what are your strategic priorities and targets?

It is too soon after "Transform" to demonstrate the full scope of our strategy. We shall do so in the course of this year.

Which next steps can we expect in Siegfried's development?

Mainly, we are currently busy with the post merger integration of our new sites. It should be remembered that in the past 18 months Siegfried practically doubled in size.

What are you doing in terms of cultural integration?

That is an important aspect of any integration activity. Siegfried has changed from a Swiss company with global activities to a global company headquartered in Switzerland. We are working very hard at bringing together our sites, also from a cultural point of view, and to make visible and utilizable the opportunities inherent in the new globalism. For our young management staff, especially, the BASF transaction provides entirely new possibilities concerning personal development and career opportunities.

What are your expectations concerning management and employees in the future?

The past two to three years at Siegfried were characterized by impressive and ongoing change, and I feel that the company's management and the entire staff have shown high resilience and a level of loyalty which impressed me tremendously and fills me with great respect. It also shows that Siegfried is in a position to remain strategically active.

Cost-Efficient API Production of the Highest Quality



Number of employees (FTE) in Nantong at the time of construction start in 2013 and on December 31, 2015.

A Presence in China Is Vital

Backward integration to China focuses on the chemical production of active pharmaceutical ingredients and intermediates with the aim to significantly lower factor costs in order to keep Siegfried competitive in this segment.

Siegfried not only offers a wide range of finished dosage forms but also develops and produces active pharmaceutical ingredients and intermediates. Within the parameters of backward integration, we invest specifically in our chemical development and production capacity. During implementation of the „Transform“ strategy, we significantly invested in the early part of our value chain. As a result, we substantially increased efficiency and competitiveness. Our focus regarding strategy implementation was on the construction of a modern production facility, which was put into operation in 2015 in a new industrial park in Nantong, near Shanghai.

Nantong makes Siegfried an even more attractive partner for the entire life cycle of a drug or active pharmaceutical ingredient during the patent-protected phase and the subsequent period. The strategic significance of our site in China is characterized by its attractive cost structure in combination with the high level of our compliance and quality standards. Nantong provides work for some 160 staff members. The facility conforms completely to cGMP and the latest SHE standards. In order to facilitate product transfers from and to Nantong, the new production plant in Zofingen (Building 425) was designed to meet identical technical standards, providing a high level of flexibility concerning production capacity.

Today, at the end of the “Transform“ strategy, Siegfried’s network of chemical development and production comprises sites in Europe, North America, and Asia with different capabilities and capacities in order to provide our customers with the highest level of synergies. Siegfried Nantong, in addition to the BASF units acquired in 2015, is one of the company’s youngest production sites.

Nantong

Shanghai/China

Start of operation: 2015

With Siegfried since: 2013

Production capacity: 350 m³

Number of FTE: 163



Competencies:

Intermediates
and APIs

Nantong is our cGMP manufacturing site in China supplying all Western countries and China. The service includes R&D, pilot, clinical trial and commercial APIs.

3 Questions to: Walter Kittl, Head Technical Operations



Please find the detailed profile of Walter Kittl in the Corporate Governance chapter, page 37.

1 Which were the biggest challenges concerning the expansion to China?

As we did not have a production facility in China at the time we decided to build a plant in Nantong, we were unable to fall back on local assistance. The investment did not only exist in one single building, but in an integrated facility comprising many parts. In China, production facilities are usually built for one product only; Siegfried Nantong, however, is a highly flexible multi-purpose plant. I must add that we were challenged by the drawn-out approval procedures. We mastered these challenges by investing in one of the best chemical parks in China. The park management supported us to obtain all the approvals we required, and it ensured smooth connections to the energy systems. With the help of Zofingen, we were able to prepare the local site management to work in accordance with our requirements.

2 How would you define future added value obtained from our investment in Nantong?

Many of our customers reacted very positively to the potential of producing raw materials, intermediates, and APIs in China. Nantong helps them

to cost-efficiently produce new APIs and those at the end of their life-cycle without having to make concessions concerning quality and security. Furthermore, drug companies can obtain new APIs developed in China from clinical tests through to market introduction from the same source, which in turn reduces complexity and speeds up approval procedures.

3 How has Siegfried been able to use the new production site in Nantong so far?

In the meantime, we have developed several new procedures for development and pilot plants, and raw material is already being produced there for API production in Zofingen. Moreover, the first API batch produced in Zofingen has been validated in Nantong. The new site draws great interest, and many of our existing customers, as well as new ones, have paid a visit to Nantong. They are enthusiastic about our local management, the competence of our employees, and the technical possibilities. Initial customer audits have confirmed the high GMP and HSE standards. We have orders on hand for the validation of new active pharmaceutical ingredients and the assurance of other customers to choose Nantong in the future as a real alternative.

Sterile Filling as a Door Opener for New Customer Relationships



Market value of Siegfried's registered stock 2010 and 2015 (all-time high).

Reinforcement in the Field of Finished Dosage Forms

Siegfried strengthened its position in the development and production of finished dosage forms by means of targeted measures in the field of forward integration. The business segment of sterile filling is especially attractive.

As an integrated supplier to the pharmaceutical industry, Siegfried produces not only active pharmaceutical ingredients, but also offers a broad range in the development of galenic formulations and the production of finished dosage forms. This unique capability provides many advantages to Siegfried's customers in terms of quality assurance, production cost, and process efficiency. Consequently, investments in the area of forward integration enjoy a high strategic significance. During the implementation phase of the "Transform" strategy, Siegfried implemented significant enhancements aimed at increasing competitiveness and raising the company's profitability. Following the acquisition of Alliance Medical Product in Irvine (USA) in 2012 and Hameln Pharmaceuticals in Hameln (Germany) in 2014, Siegfried now commands a highly capable network that supplements the existing production site for solid dosage forms in Malta with sterile filling.

Sterile Filling with a Promising Future

Owing to its great appeal, the sterile filling segment enjoys high strategic significance for Siegfried. It offers outstanding opportunities for differentiation and, therefore, for obtaining good margins, not only from a technological point of view, but also owing to the high demands on quality. Thanks to many years of experience and its positioning as an integrated supplier, Siegfried is increasingly in a position to take advantage of this value driver, and deeper added value is therefore consistent. Siegfried's acquisition of Alliance Medical products in 2012 represented a first step in terms of forward integration, and the acquisition of Hameln Pharmaceuticals in 2014 complemented our presence. Siegfried now commands two promising pillars in this future-oriented segment in the two most important markets, Europe and the USA. This makes us a leading supplier of sterile dosage forms.

Irvine

California/USA

Start of operation: 2002

With Siegfried since: 2012

Production capacity:

5 automated filling lines

Number of FTE: 87



Competencies:

Sterile and
aseptic filling

Irvine is one of our sterile drug product manufacturing sites, providing contract development, tech transfer, and manufacturing services specializing in difficult-to-manufacture pharmaceuticals, ophthalmics, and drug delivery systems.

Hameln

Niedersachsen/Germany

Start of operation: 1950

With Siegfried since: 2014

Production capacity:

8 sterile filling lines, 4 lines
for ampoules and vials covering
format sizes from 1 mL to 100 mL

Number of FTE: 416



Competencies:

Sterile and
aseptic filling

Hameln is our high volume sterile filled and terminally sterilized vial and ampoule drug product manufacturing site, providing tech transfer and manufacturing services, including controlled substance filling. In addition to our manufacturing services, our Hameln facility offers liquid drug product contract development and regulatory services ranging from injectable to topical formulations.

AMP, Portal of Entry to Sterile Filling

By acquiring Alliance Medical Products, Siegfried gained a foothold in the high-value sterile and aseptic service market. Moreover, the acquisition represents an entrance to the North-American market. AMP focuses on ampoules, vials, and syringes, produces emulsions, ointments, and gels and is specialized in demanding application devices. The acquisition of the Californian subsidiary confirms Siegfried's positioning as an integrated development and production partner to the pharmaceutical industry.

Hameln, a Custom-Fit Strategic Enhancement

By means of acquiring Hameln Pharmaceuticals in 2014, Siegfried implemented the second step of forward integration as defined by the "Transform" strategy. As one of the largest European suppliers, Hameln Pharmaceuticals fills sterile liquid pharmaceutical products, mainly vials and ampoules. Employees in Hameln provide a wide range of services along the pharmaceutical value chain, such as product development, laboratory services, and clinical studies, a comprehensive approval service and the supply of active pharmaceutical ingredients and finished dosage forms. One of the company's focuses is on the development and production of analgesics and hospital products – competences that significantly round out Siegfried's range.

A state-of-the-art sterile facility was put into service in Hameln in 2008, which only one year later was bestowed the renowned "Facility of the Year Award". As the Hameln site with its approximately 400 full-time positions and 8 production lines is considerably larger than the plant in Irvine, the acquisition remarkably increased Siegfried's capacity to cope with demanding, large orders.

The strategic acquisition of the Hameln facility represents a further stepping stone in positioning Siegfried as an integrated supplier of active pharmaceutical ingredients and finished dosage forms. Customers all over the world will therefore obtain products from a single source at the highest standards of quality. Other advantages are a simplified supply chain and lower costs. The Hameln acquisition has made a valuable earnings contribution in the year under review.

3 Questions to: Marianne Späne, Head Business Development & Sales



Please find the detailed profile of Marianne Späne in the Corporate Governance chapter, page 37.

1 How does forward integration change the awareness of Siegfried in the market?

The CDMO* market is fragmented, highly contested, and constantly in the process of consolidation. By strengthening our production of finished dosage forms in addition to the acquisition in API production Siegfried has become the leading integrated full-range supplier of services required along our customers' entire value chain. "expect more" is not just a promise, it is reality. Owing to our expertise in both chemistry and pharmaceuticals, we are in a position to offer bridging technologies, such as spray drying and micronizing. A growing number of companies consider this comprehensive service to be the key to enter into or expand a strategic partnership.

2 Did Siegfried gain additional customers from the acquisitions of Irvine and Hameln?

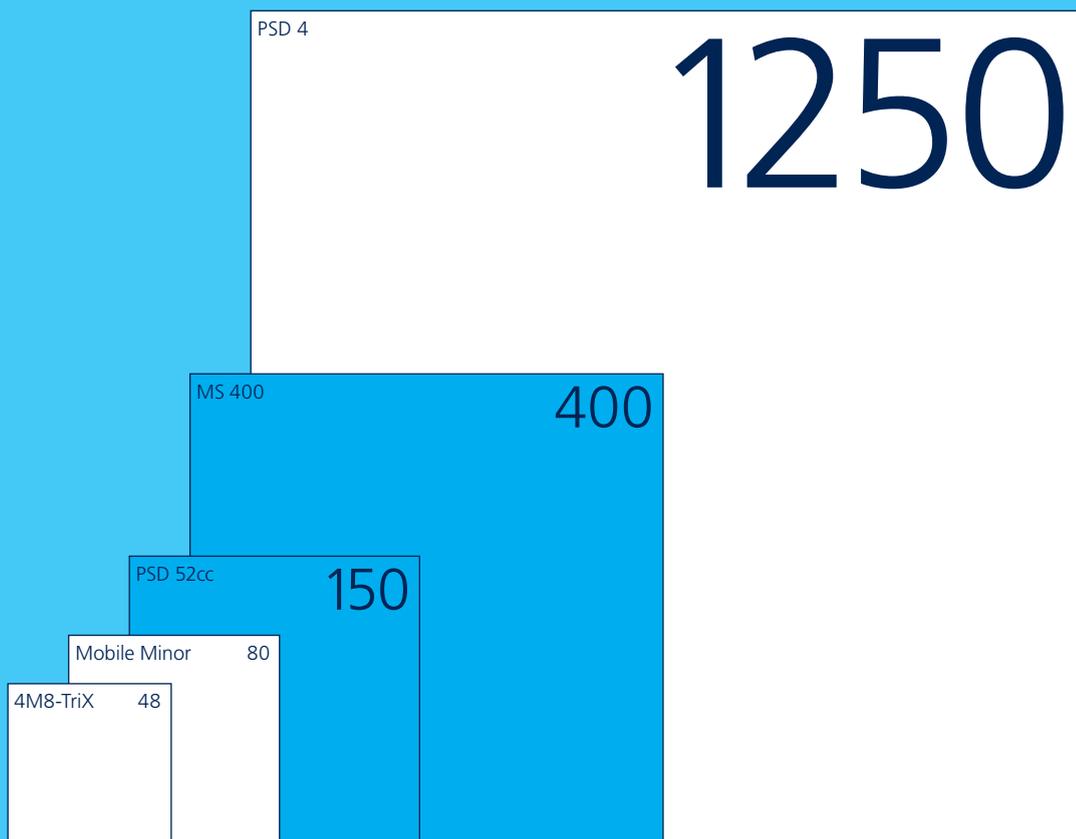
Yes, customers with needs in the sterile filling segment, which we were unable to supply before. Today, in the field of finished dosage forms, we are in a position to offer a complete package that doesn't consist only of oral dosage forms but includes parenterals such as injections, infusions, and implantations, if necessary in large volumes produced in Hameln.

3 How would you describe the future development in the field of drug production?

I expect to see more strategic partnerships between pharmaceutical companies and custom manufacturers. Today, price is no longer the only criterion; customer focus is on such aspects as continuity of supply and quality, and on the sustainability of the services offered. Furthermore, we are recognizing continued individualization in medicine with applications tailored to individual patients. Our range covers various dosage forms, and we can satisfy both the large-volume and the individualized demand for drugs. We produce parenterals in Irvine and Hameln, in small and large volumes, and oral dosage forms in Malta. We supply our customers with tailor-made solutions, which is of growing importance when deciding on an outsourcing partner.

* Custom Development and Manufacturing

Technology and Innovation as Pivotal Factors of Success



Drying gas in cubic meters per hour.

- Expansion of the pharmaceutical spray drying offer during "Transform"
- Spray drying capacity available prior to "Transform"

Zofingen

Aargau/Switzerland
Start of operation: 1873
With Siegfried since: 1873
Production capacity: 350 m³
Number of FTE: 485



Competencies:

APIs,
intermediates,
finished oral
dosage forms,
and controlled
substances

Zofingen is our hub and head-quartered manufacturing site exemplifying Swiss quality to our global customers. The site contributes to the community by not only being a good employer but by also investing in the education of 35 apprentices.

Technological Innovation as a Value Driver

As an integrated quality supplier, Siegfried builds on technological innovation in order to offer its customers a high level of added value. Through the implementation of "Transform", further areas of success were identified in this field.

The Siegfried Group's proficiency lies in integrating complementary capabilities along the value chain in one single business model. The appeal of this integrated approach is in high value-added depth and efficiency. Customers benefit from synergies in quality management and in technical production processes. At Siegfried, continuing technological innovation represents one of the keys to lastingly provide peak performance.

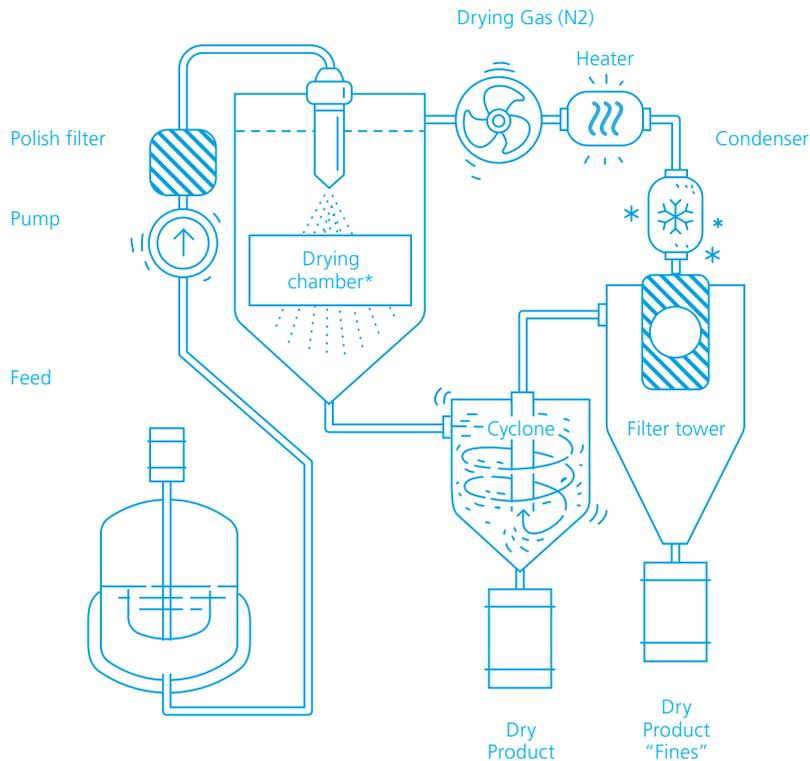
State-of-the-Art, Efficient Spray Dryer

In 2014, Siegfried put into operation a further high-performance spray dryer at its Pennsville (USA) site. This technology is very popular with our customers. The expansion of spray drying capacity represents a milestone, not only for our Pennsville site, but for the entire Siegfried organization. Thanks to the added capacity, Siegfried now belongs to the small circle of suppliers that conform to cGMP and offer spray drying across the entire range from pilot through to commercial production. Thanks to the ability to perform spray drying at production scale, Siegfried has expanded its integrated offer to combine ingredient synthesis and the development of finished dosage forms. As early as the year of introduction, Siegfried received six new orders in this field, three of them from new customers.

High Tech for High-Potency APIs and Finished Dosage Forms

In 2012, we inaugurated the new facility in Zofingen for the development of high-potency APIs. The plant permits us to develop both high-potency active pharmaceutical ingredients and finished dosage forms for this segment. These modern drugs do not only increase efficiency but also limit undesirable side effects on the patient side. This makes Siegfried unique in the supplier market to the worldwide pharmaceutical industry. The market for high-potency drugs has been growing in the past five years. Large-scale production of high-potency finished dosage forms is carried out in our own production facility in Malta.

Basic Sceme of a Spray Dryer



- * Atomizing to small droplets for spray drying:
- Gas/liquid two fluid nozzle
 - high-pressure nozzle

Spray drying transforms a product from a liquid to a solid state in one single step. It replaces up to three unit operations, namely crystallization, drying and milling. Spray drying is therefore especially suitable to isolate and dry APIs that are thermo-labile or hard to crystallize, such as biomolecules or large molecules with complex structures. However, there's more to spray drying than just drying: spray drying in coordination with excipients, such as polymers, improves the bioavailability of a drug, and it makes available to patients active pharmaceutical ingredients that they previously were unable to benefit from. Moreover, in spray drying, particles are influenced in such a way as to meet the quality requirements for advanced dosage forms. This future-oriented bridging technology puts Siegfried in a position to continue expanding its integrated offer of active

pharmaceutical ingredients and the development and production of finished dosage forms. Today, in the field of spray drying, Siegfried covers the entire range from laboratory to pilot and commercial production featuring a production facility counting to the worldwide largest spray dryers.

Pilot and commercial production plants are run in the USA in a clean room and under 100% cGMP conditions. They accommodate both chemical and pharmaceutical processes. A closed circuit under nitrogen atmosphere permits especially the application of flammable solvents. The production facilities are complemented by a laboratory dryer at our research location in Zofingen, securing the support of combined chemical and pharmaceutical development activities at all Siegfried sites.

Pennsville

New Jersey/USA

Start of operation: 1928 (Carlstadt),
1970 (Pennsville)

With Siegfried since: 1928

Production capacity: 200 m³

Number of FTE: 178

Siegfried's PSD4 pharmaceutical spray dryer is one of the largest worldwide and is operated under cGMP conditions. The PSD4 extends across several floors at the Pennsville, USA, production facility and requires 1250 m³ of drying gas (N₂) per hour.



Pennsville is our drug substance manufacturing site for the US market and provides spray drying operations globally.

Competencies:

APIs,
intermediates,
and controlled
substances

Hal Far

Malta

Start of operation: 2007

With Siegfried since: 2007

Production capacity: 7 GMP suites,
segregated cGMP production areas
for high potency

Number of FTE: 123



Competencies:

Finished
oral dosage
forms

Malta is our oral solid dosage drug product manufacturing site, with a dedicated high potency manufacturing area, providing contract services from bulk manufacturing through full packaged products.

Simple Definition of Terms

As an integrated supplier to the pharmaceutical industry Siegfried is active in the chemical production of active pharmaceutical ingredients and intermediates as well as in the development and production of various finished dosage forms. Naturally, this complex business model combines numerous products, applications, and technologies. The following list defines the most important products referred to in this annual report.

API

API (Active Pharmaceutical Ingredient) refers to a substance or substance combination used in manufacturing a drug product. API also refers to the active or central ingredient in the product which causes the direct effect on the disease diagnosis, prevention, treatment, or cure. API manufacturing, storage, and packaging is subject to current Good Manufacturing Process (cGMP) regulations.

Intermediate

An intermediate is a substance created in the course of a multistage chemical reaction. An intermediate is not a final product, but an intermediate stage. It is understood to be the product of the preceding reaction and the starting material of the subsequent stage.

Controlled Substance

Controlled substances are generally drugs or chemicals whose manufacture, possession, or use is regulated by international conventions and national laws of the signatory states. The overall goal is to allow its medical and scientific use, reduce and prevent abuse and illicit trade. Their main applications are the treatment of moderate to severe pain and addiction. In a medical context, one typically refers to them as narcotics.

Orale Dosage Forms

Oral dosage forms are drugs taken via the patient's mouth. They include tablets, capsules, liquids, and pastes.

Sterile Filling

Aseptic (sterile) production of drugs is one of the most demanding methods in the production of pharmaceuticals. The aim of production under aseptic conditions is to preserve the sterility of a preparation made up of sterile components. The aseptic production process makes the highest demands on production area, air quality, staff, chemical precursors, and surface areas.

3 Questions to: René Imwinkelried, Head Research & Development



Please find the detailed profile of René Imwinkelried in the Corporate Governance chapter, page 36.

1 What is the significance of research and development in the CMO market and, specifically, for Siegfried?

In our industry, research & development is especially significant particularly with regard to renewing and expanding the product portfolio. We constantly adjust to the market situation; the product portfolio is subject to steady change and is renewed on an ongoing basis. This is impossible without a strong R&D organization in the company. Our customers wish to work with a partner that helps them bring to market their own products faster and more cost-efficiently. Today, Siegfried offers a broad range, both in terms of production and R&D. Our process development capabilities are synchronized with our global production sites. We consider research & development and production to be a single unit with shared objectives. This, however, is no longer sufficient. Our scientific expertise comprises laboratory development and the industrialization of processes to produce APIs and finished dosage forms including sterile liquid dosage forms. We cooperate very closely with our customers to achieve their individual development projects.

2 What is Siegfried's technological focus?

Siegfried's technological focus is on the breadth of the solutions we offer our customers. Today, we are in a position to offer nearly the entire breadth of technologies in the field of chemically produced APIs. Thanks to the acquisition of the sites in Hameln in 2014 and the three BASF sites in 2015 we were able to strengthen our process R&D in terms of technology. This is true especially for low-temperature reactions, enzyme-catalyzed reactions, and sterile formulations. Our process development work

increasingly aims at understanding the relevant process parameters. To achieve this, we have invested in various latest generation devices. With the additional help of new process-analytical tools (PAT) we are able, at the laboratory level, to gather and evaluate increasingly relevant process data and thereby ensure that the developed production processes will function on an industrial scale at first go. As Siegfried is one of the few suppliers that offer both APIs and finished dosage forms, one of our strengths is so-called particle technology which enables us to produce APIs dimensionally accurate in the chosen solid state (size and state of the individual API crystals). This is a scientifically very demanding task and reflects the good cooperation of our chemistry and formulation experts.

3 Which major innovation do you expect for the future?

I expect innovation in the field of analytical technologies, which will give us a much better understanding of chemical processes. This will result in faster process development and fewer quality problems connected with industrial scale. Concerning solid drugs, the often unsatisfactory solubility and connected insufficient bioavailability of new APIs represents a big challenge. Innovative solutions are under way at various companies. We also run projects in this field in cooperation with external companies and universities. And in particle technology we can fall back on our internal expertise. I expect innovation not only in terms of technology, but increasingly in business procedures and in our cooperation with customers.

Critical Size as Precondition for a Comprehensive Market Offer

2015

480.6

2010

314.4

Net sales CHF million as
at 31.12.2010 and 31.12.2015.

Minden

Nordrhein-Westfalen/Germany

Start of operation: 1935

With Siegfried since: 2015

Production capacity: 1458 m³

Number of FTE: 333



Competencies:

APIs, custom
synthesis,
intermediates,
and controlled
substances

Minden is our new manufacturing site with special know-how in different APIs, providing flexible production structures with world scale plants and streamlined multi-purpose production facilities for high throughput. All processes are according to cGMP guidelines.

The New Siegfried

Thanks to implementing the “Transform” strategy, Siegfried developed into a leading company in the global industry. Siegfried took the last step toward reaching necessary critical size in the year under review by acquiring three BASF units.

Focused and acquisition-based reinforcement represented a central element of the “Transform” strategy. In a strongly fragmented yet increasingly consolidating CMO market, it is essential that an integrated supplier such as Siegfried possesses critical size to ensure continued success in the future. We consider this critical size to represent annual sales in excess of 500 million Swiss francs. It permits the best possible economic utilization of production facilities and short-term availability of production capacity for new orders, which serve as the basis for continued profitable growth. This, in turn, is the challenge that dominates the near future.

The acquisitions made in 2012 and 2014, namely Alliance Medical Products and Hameln Pharmaceuticals – both active in sterile filling – put Siegfried in an excellent position in view of its strategic goals. The decisive step was taken in fall 2015 with the acquisition of BASF’s contract manufacturing and supply business with active pharmaceutical ingredients at the three sites in Minden (Germany), Evionnaz (Switzerland), and St. Vulbas (France). Through this strategically tailored growth, Siegfried’s workforce grew by approximately 800 employees and annual sales increased by 280 million Swiss francs. The company now enjoys the targeted size required to play a leading role as a broadly diversified participant in the global supply market in the pharmaceutical industry. Integration of the BASF units will be completed end of 2016.

By means of critical size, the best possible economic balance between utilization of production facilities and availability of capacity for new orders can be obtained. The main goal of the strategy is to achieve annual sales in excess of 500 million Swiss francs and to secure Siegfried’s long-term future.

Critical Size

St. Vulbas

Département Ain/France

Start of operation: 1994

With Siegfried since: 2015

Production capacity: 141 m³

Number of FTE: 132



Competencies:

APIs and
intermediates

St. Vulbas is our new French production site with a wide portfolio of technologies like cryo or phosgene reactions and state-of-the-art plants to produce different APIs.

Evionnaz

Valais/Switzerland

Start of operation: 1952

With Siegfried since: 2015

Production capacity: 315 m³

Number of FTE: 321



Competencies:

APIs and
intermediates

Evionnaz is our new chemical development and chemical production site capable of producing from grams to multi-tons of intermediates and active pharmaceutical ingredients (APIs) for our customers.

3 Questions to: Michael Hüsler, Chief Financial Officer



Please find the detailed profile of Michael Hüsler in the Corporate Governance chapter, page 36.

1 What influence does critical size have on profitability?

In the CMO industry it is essential that a company is in a position to provide free capacity. When acquiring a new customer order, time is often of the essence because the customer expects his order to be delivered promptly. This is connected with costs that a CMO company can afford to carry only once it has reached a certain size. Today, Siegfried enjoys this necessary critical size owing to the acquisition of BASF's API and custom manufacturing business. In this way Siegfried has obtained access to additional interesting customer orders, which in the medium term will show a positive impact on operating profit and profitability. Another aspect is that a company of the new Siegfried's size enjoys more awareness among customers than smaller market participants. This will also have a positive effect on business development.

2 How were the recent acquisitions financed?

In past years, Siegfried reported strong operating cash flow which, however, was insufficient to finance the various acquisitions and expansion measures taken. Once the original credit facility of 150 million in 2013 was increased to 250 million, we completely reconfigured the financing of the BASF acquisition. We arranged a credit line of 400 million francs with two Swiss banks, which covered the existing financial requirements and the purchasing price. In a second step, we placed a public hybrid bond of 100 million francs and a private hybrid convertible bond of 60 million francs with RAG-Beteiligungs-

gesellschaft mbH. The contribution from the two hybrid bonds amounting to 160 million francs was used to partly repay the new credit facility. The remaining credit facility of 240 million francs was provided by a consortium of Swiss banks.

3 How did the financial markets react to this development?

The financial markets received the strategic focus and the consistent implementation of the "Transform" strategy very well. The price of Siegfried stock rose by a factor of 2.5 since the launch of the "Transform" strategy. The last and largest step concerning strategy implementation, namely the acquisition of BASF's API and CMO business, was rated very positively. We successfully presented to investors and analysts the significance of this step to Siegfried's continued development. Now, we aim to rapidly introduce the planned integration measures and achieve the expected synergy effects.

The 2015 financial results consolidated only one quarter of BASF's annual API and CMO business acquired by Siegfried with effect from end September 2015. For the first time in company history do annual sales, namely 480 million francs, exceed the 400 million francs threshold. Siegfried's 2016 financial statement will consolidate a full year of the acquired units' business, and Siegfried's new size will then be recognized in its financial results.

The Future Has Begun: Market, Goals and Outlook

2238

696 

The number of our employees more than tripled since 2010.

Nine Sites in Six Countries: Well Positioned

In the five years of implementing the “Transform” strategy, the number of Siegfried sites worldwide has grown from three to nine. Today, we operate in six countries on three continents and offer a global network covering many areas of chemical and pharmaceutical development and production.

Irvine
USA

Pennsville

USA

Caption:

- APIs
- Drug Substance Intermediates
- Controlled substances
- Oral dosage forms
- Sterile and aseptic filling

Minden
Germany



Hamelh
Germany



Evionnaz
Switzerland



Zofingen
Switzerland



Saint-Vulbas
France



Hal Far
Malta



Nantong
China



Corporate Culture as a Strategic Dimension

Success of strategy implementation depends, not least, on how consistent and credible corporate culture is being put into practice at all levels. This is true, especially, for the Siegfried Group with its strong growth by acquisition.

In the past five years Siegfried has grown from a Swiss company with international activities to a global company with nine production sites in Europe, North America, and Asia. This calls for the continuous development of corporate culture to create a future that does justice to the daily demands made by the new, far larger and more global conditions. Our task is to integrate values such as mutual understanding, trust and solidarity at all Siegfried sites, and thus beyond cultural boundaries, in order to generate shared ambitions and perspectives.

A significant part of the work connected with cultivating corporate culture is performed by the post merger integration team that has been active since October 2015. Initial and promising implementation measures at management level have been carried out in the year under review within the parameters of a Leadership Convention attended by the members of senior management of all sites. The significance of continuing attention given to corporate culture was recognized and confirmed by all participants. Priority was assigned to the close integration – also on a personal level – of those Siegfried sites with a long shared history with the four units in Europe that joined the Siegfried Group in 2014 and 2015 and the new production facility in Nantong. On the day after conclusion of transaction at the beginning of October 2015, Siegfried CEO Rudolf Hanko pointed the way by paying inaugural visits to the three sites acquired from BASF, and further steps will follow in the months and years to come.

2.2^{thsd}

Siegfried employs a workforce of about 2200 employees at nine sites in six countries.

25.7%

Around one quarter of all employees are women.

3 Questions to: Arnoud Middel, Head Human Resources Global



Please find the detailed profile of Arnoud Middel in the Corporate Governance chapter, page 37.

1 How is Siegfried's corporate culture changing as a result of the additional sites?

Despite growth to three times our size with regard to the number of sites and employees, we aim to uphold the attributes and success factors we cultivated before the recent acquisitions. I consider these factors to be customer orientation, flexibility, entrepreneurship, and dynamics. At the same time, we are implementing the necessary structures required by a company of our new size. Following the acquisition of BASF's active pharmaceutical ingredients business, Siegfried is changing from a Swiss company with international activities to a global organization headquartered in Switzerland. In addition to greater language diversity, the global orientation will change the thinking and acting of everyone in the company.

2 What does Siegfried do to promote integration?

As early as one month following closing of the acquisitions, senior management members of all sites participated in a two-day leadership convention. This was the framework in which we jointly discussed our corporate values and leadership principles. We defined the priorities that will be put into practice in 2016 at all sites.

3 How do the employees feel about the changed situation?

The tenor at all sites is positive. At a closer look, however, we recognize distinctions connected with various changes resulting from the acquisitions. There are many questions concerning the ongoing integration at the new sites and in Zofingen, which is understandable, but can also generate insecurity. Yet, in this regard there is strong faith that we can jointly accomplish much and reach a positive result. And at the sites that are not directly affected, the acquisitions are looked upon positively. The resonance that I get from all over is that Siegfried is on track and has catapulted itself to the top of the CMO industry.

3 Questions to: Wolfgang Wienand, Head Strategy and Mergers & Acquisitions



Please find the detailed profile of Wolfgang Wienand in the Corporate Governance chapter, page 37.

1 These days one frequently hears that Siegfried has reached “critical size”. What does that mean, and why is it of so much importance for a CMO company such as Siegfried?

To start off with, we shouldn't be misguided by the word “critical”. Critical size is a very gratifying situation to be in. We included the term in our strategy because we took the perspective of Siegfried's relevant stakeholders. A certain size of an outsourcing partner such as Siegfried goes along with adequate financial stability so that unavoidable business cycles can be mastered. In the end, critical size is measured in terms of sales volume and the resulting cash flow. We consider this minimum size to be clearly above 500 million francs. Another positive effect is of a technical nature: Siegfried now has available a sufficiently large production capacity of which it can afford to reserve a small part for short-term orders. Our new size is positive also from the perspective of our investors: the larger the business, the more diversified the risks. Today, the loss of a large product would hit Siegfried clearly less hard than would have been the case in 2010.

2 What type of synergies do you expect from the acquisitions?

Right from the start, all measures taken within the parameters of our strategy were based on two guiding principles: improvement and expansion of our product range, which implies higher sales by means of more business, and improvement of our cost position. We expect sales growth, for instance, from the customer

portfolio gained from the BASF acquisition. As a result, today we do business with customers we previously did not cooperate with to the desired degree. We expect further positive effects from standardizing our global processes and making redundant several central services. And lastly, thanks to nearly double the size of our procurement volume, we now enjoy more negotiating power, and we have started implementing it to obtain better purchasing conditions. Not to forget the positive contribution made by our new site in China: owing to Nantong we are now in a position to improve our cost situation and, therefore, profitability by producing precursors and intermediates, previously bought from outside companies, in China ourselves.

3 Do you have other strategic steps in the pipeline?

Siegfried will continue to grow. We are recognizing scope for strategic growth which we will implement by means of acquisitions when suitable possibilities arise. Further steps are conceivable in terms of development capability and new technologies, especially at the interface between API and finished dosage forms, and in specialized technologies. In the future, we will continue to expand our global production network and grow by acquiring attractive business opportunities. You can see, our journey is continuing!

Systematic Risk Evaluation as a Basic Principle

Siegfried attaches great importance to the continual evaluation of risks by using institutionalized processes.

Acquisitions as well as the other measures and investments Siegfried implemented within the parameters of the “Transform” strategy are all connected with risk. It is essential that corporate structures and the organization are constantly being adjusted to the new circumstances and the company’s growth. Consequently, for each of our acquisitions we carried out a comprehensive post merger integration process. In terms of integration, all divisions play an active role.

The institutionalized processes used to systematically assess risks include risk management, a risk map, and an Internal Control System (ICS). Concrete measures and results are deduced from the results.

In the pharmaceutical field, the largest risks are to be expected in compliance. Siegfried’s position in this regard is solid thanks to a good compliance track record across many years. Other risks that are constantly being assessed and underpinned with concrete measures pertain to customer acquisition/pipeline and to Human Resources and the long-term agreements with employees. Special attention is given to risks connected with integration.

Michael Hüsler, CFO: “In terms of acquisitions it is decisive that the new staff members feel right from the beginning that they can make an important contribution toward Siegfried’s success while not forgetting the existing employees. With all acquisitions we fortunately managed to communicate this right from the beginning.”

52.4%

higher net sales in Swiss francs compared to the previous year.

77.1

EBITDA in million Swiss francs in 2015. This represents an increase of 31.1% compared to the previous year.

“Today, Siegfried is a trendsetter in the CMO industry, driven by very loyal people.”

expect more, our brand promise, is a reality for our employees across the world – day after day.

Based on our comprehensive, tailor-made range of products and know-how, customers in the pharmaceutical industry benefit from our production capacity and service which caters to all needs: efficient, flexible and of the highest quality. Siegfried has advanced to become the worldwide trendsetter in the custom manufacturing industry.

Siegfried's core expertise, its focus on quality and its 140-year Swiss tradition stand for continued long-term growth. Only the best is good enough – today and in the future.