

## Siegfried increases margin despite lower sales

- The 2014 financial year was characterized by declining sales and a considerably higher EBITDA margin.
- Earnings before interest taxes, depreciation and amortization (EBITDA) are reported at CHF 58.8 million, corresponding to an EBITDA margin of 18.6% (2013: 17.5%).
- Sales are reported at CHF 315.3 million (2013: CHF 375 million).
- Operating profit (EBIT) of CHF 34.0 million represents an EBIT margin of 10.8%. In the year under review, Siegfried reported net profit of CHF 38.6 million.
- Siegfried implemented significant strategic steps at various sites. In the year under review, after the acquisition of Hameln Pharma, Siegfried's workforce grew by almost half to approximately 1,400 employees (FTE).
- The company aims to take an active role in the ongoing consolidation of the outsourcing industry.
- The Board of Directors will recommend to the General Meeting the unchanged payout to the shareholders of CHF 1.50 per share.
- In 2015, the Siegfried Group expects to grow in terms of EBITDA in the low-double-digit percentage range.

## Key figures

	2014	2013	Change CHF (LC)
Net sales (million CHF)	315.3	374.9	-15.9% (-15.2%)
Gross profit (million CHF)	72.8	98.7	-26.3%
Gross profit margin (%)	23.1%	26.3%	
EBITDA (million CHF)	58.8	65.6	-10.4%
EBITDA margin (%)	18.6%	17.5%	
EBIT (operating result) (million CHF)	34.0	40.8	-16.7%
EBIT margin (%)	10.8%	10.9%	
Net profit (million CHF)	38.6	53.9	-28.4%
Net profit-margin in percentage	12.2%	14.4%	
Earnings per share (CHF)	9.97	15.07	-33.9%
Diluted earnings per share (CHF)	9.92	13.73	-27.7%
Cash flow from operating activities (million CHF)	24.6	67.5	-63.5%
Investment in property, plant and equipment and intangible assets (million CHF)	82.0	51.9	58.1%
	December 31, 2014	December 31, 2013	Change
Equity (million CHF)	382.8	362.4	5.6%
Total assets (million CHF)	629.6	537.8	17.1%
Equity as a percentage of total assets	60.8%	67.4%	
Employees (number of full time equivalents)	1 374	917	49.8%

Despite declining sales, the Siegfried Group improved the EBITDA margin by 1.1 percentage points. Earnings before interest taxes, depreciation and amortization (EBITDA) are reported at CHF 58.8 million and sales at CHF 315.3 million. EBIT of CHF 34.0 million corresponds to an EBIT margin of 10.8%.

In the year under review, the company reported net profit of CHF 38.6 million. Owing to the capitalization of tax losses carried forward, net profit is reported a little higher than EBIT.

### **A high number of new projects**

Concerning the acquisition of new projects, the 2014 financial year was gratifying. The number of customer requests and the level of orders for new development projects clearly exceeded the previous years' levels. While in 2012 Siegfried acquired 17 new projects, the number rose to 22 in 2013 and to 35 in the year under review. The economic value of the new projects increased considerably and even doubled compared with the previous year.

### **Focus on costs**

In the year under review, management put its focus on continually increasing the share of variable costs. Thus, the segment of employees with temporary employment contracts has grown in recent years. In 2010, several in-process activities were outsourced in areas such as maintenance, security, provision, and waste disposal. These measures paid out in 2014 as Siegfried was able to adjust expenses short-term.

### **Major investments at several sites**

Siegfried made significant investments in the year under review of CHF 140 million. Despite the substantial outlay, the company reports net debt of only CHF 85 million, not considering financial assets of about CHF 20 million.

### **Strategy implementation on target**

The Transform strategy comprises three different streams, and significant projects were implemented in all three streams in the year under review:

- In the “Backward Integration” stream, construction of the new facility in Nantong was advanced. Operating approval for the pilot plant and numerous other approvals and licenses are on hand. An inspection by the US-FDA regulatory authority is expected for the second half of the current year.
- In the “Forward Integration” stream, a quantum leap was made thanks to the acquisition of Hameln Pharmaceuticals GmbH and Pharma RDS GmbH (R&D organization). The new Hameln site disposes of a large capacity with eight production lines which complement the existing, highly specialized, yet small, plant for sterile filling in Irvine, USA. Some 400 new employees (FTE) joined the Siegfried Group. The acquisition will serve to strengthen Siegfried's market position in the finished dosage forms segment.
- In the “New Technologies” stream an important project was brought to completion. A new, state-of-the-art spray dryer was inaugurated in Pennsville mid-year.

In Zofingen, a new production building is under construction which will be ready for operation mid-year. The technical design of the plant corresponds to that in Nantong, which will simplify product transfers to and from Nantong, also from a regulatory point of view.

A new administration building constructed in Zofingen by an outside investor ensures state-of-the-art administration and work procedures.

### **Industry consolidation**

In recent years, significant consolidation movements were observed in the industry. This type of consolidation will continue as companies that do not wish to confine themselves to niche products will have to show sales of CHF 500 – 600 million in order to maintain market flexibility. Siegfried will continue to take an active role in this consolidation process.

### **2015: growth anticipated**

The Siegfried Group expects to grow in the current year in the low-double-digit percentage range regarding EBITDA.

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### About Siegfried

The Siegfried Group is active worldwide in the field of Life Sciences with production facilities located in Switzerland, Germany, China, Malta and in the USA. At the end of 2014, Siegfried reported annual sales of CHF 315 million and employs at the time being approximately 1400 employees. Siegfried Holding AG is listed on the Swiss Exchange (SIX: 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 controlled substances, and provides development and production services for drugs in finished dosage forms including sterile filling.

### Cautionary Statements Regarding Forward-looking Statements

This press release may contain forward-looking statements based on current assumptions and forecasts made by Siegfried Group management and other information currently available to the Siegfried Group. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Siegfried Holding AG does not intend, and does not assume any liability whatsoever, to update these forward-looking statements or to conform them to future events or developments.

## Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2014	2013
Net sales	27	315 282	374 940
Cost of goods sold		-242 517	-276 192
<b>Gross profit</b>		<b>72 765</b>	<b>98 748</b>
Marketing and sales costs		-8 366	-8 436
Research and development costs		-21 277	-23 118
Administration and general overhead costs		-17 082	-35 716
Other operating income	19	8 007	8 767
Share of results of associated companies		-42	594
<b>Operating result</b>		<b>34 005</b>	<b>40 839</b>
Financial income	20	171	11 833
Financial expenses	20	-3 318	-3 071
Exchange rate differences	20	928	655
<b>Profit before income taxes</b>		<b>31 786</b>	<b>50 256</b>
Income taxes	6	6 770	3 595
<b>Net profit</b>		<b>38 556</b>	<b>53 851</b>
Earnings per share (CHF)	22	9.97	15.07
Diluted earnings per share (CHF)	22	9.92	13.73

\* The notes on pages 121 – 147 are an integral part of the Group Financial Statements.

## Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2014	2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	314 927	208 407
Intangible assets	3	9 489	9 565
Investments in associated companies and joint ventures	4	593	580
Financial and other non-current assets	5	116	158
Employer contribution reserves	17	8 726	8 466
Deferred tax assets		22 291	13 200
<b>Total non-current assets</b>		<b>356 142</b>	<b>240 376</b>
<b>Current assets</b>			
Inventories	7	123 159	99 122
Trade receivables	8	68 806	61 966
Other current assets		23 544	3 916
Accrued income and prepaid expenses		7 629	4 497
Current income taxes		68	42
Derivative financial instruments	9	–	512
Cash		50 224	127 341
<b>Total current assets</b>		<b>273 430</b>	<b>297 396</b>
<b>Total assets</b>		<b>629 572</b>	<b>537 772</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Share capital		8 300	7 600
Treasury shares		–19 236	–33 421
Capital reserves		85 739	61 479
Retained earnings		307 965	326 775
<b>Total equity</b>		<b>382 768</b>	<b>362 433</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	12	113 241	59 700
Non-current provisions	13	9 073	10 687
Deferred tax liabilities		4 305	3 799
Other non-current liabilities	14	12 959	2 137
Non-current pension liabilities		149	163
<b>Total non-current liabilities</b>		<b>139 727</b>	<b>76 486</b>
<b>Current liabilities</b>			
Trade payables		43 971	30 952
Other current liabilities	16	9 765	23 232
Accrued expenses and deferred income	15	22 199	14 905
Other current financial liabilities	12	22 147	17 235
Derivative financial instruments	9	353	258
Current pension liabilities	17	554	612
Current provisions	13	7 947	11 409
Current income tax liabilities		140	250
<b>Total current liabilities</b>		<b>107 076</b>	<b>98 853</b>
<b>Total liabilities</b>		<b>246 803</b>	<b>175 339</b>
<b>Total liabilities and equity</b>		<b>629 572</b>	<b>537 772</b>

\* The notes on pages 121–147 are an integral part of the Group Financial Statements.

## Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)	Notes*	2014	2013
<b>Net profit</b>		<b>38 556</b>	<b>53 851</b>
Adjustments:			
Depreciation and impairment of PP&E and intangible assets	2,3	24 790	24 803
Change in provisions	13	-601	199
Other non-cash items <sup>†</sup>		-3 749	-10 116
Share-based payments	18	3 570	11 943
Exchange rate differences		-928	-655
Financial income		-171	-11 833
Financial expenses		3 321	3 071
Income taxes		-6 771	-3 595
Share of results of associated companies		42	-594
Net result on disposal of property, plant and equipment		-	-2 818
<b>Cash flow from operating activities before change in net current assets</b>		<b>58 059</b>	<b>64 256</b>
Change in trade receivables		673	-7 250
Change in other current assets		-19 613	-1 689
Change in inventories		-7 215	21 869
Change in trade payables		-2 803	-7 961
Change in other current liabilities		591	4 354
Payments out of provisions		-4 559	-5 460
Income taxes paid		-491	-592
<b>Cash flow from operating activities</b>		<b>24 642</b>	<b>67 529</b>
Purchase of property, plant and equipment	2	-81 889	-47 726
Proceeds from disposal of property, plant and equipment		78	7 827
Purchase of intangible and other assets	3	-124	-4 145
Acquisition of group companies	16, 21	-59 460	-
Purchase of available-for-sale financial assets		-77	-83
Sale of available-for-sale financial assets		-	18 048
Interest received		15	51
Dividend received		-	307
<b>Cash flow from investing activities</b>		<b>-141 457</b>	<b>-25 721</b>
Increase in financial liabilities	12	48 145	31 762
Purchase/disposal of treasury shares, net		-783	-12 198
Interest paid and bank charges		-1 934	-2 258
Dividend to the shareholders of Siegfried Holding AG		-5 931	-4 284
<b>Cash flow from financing activities</b>		<b>39 497</b>	<b>13 022</b>
<b>Net change in cash</b>		<b>-77 318</b>	<b>54 830</b>
Cash at the beginning of the year		127 341	73 310
Net effect of exchange rate changes on cash		201	-799
Cash at the end of the year		50 224	127 341

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<sup>†</sup> Other non-cash items mainly include significant releases of accrued income out of projects, certain postings from employee benefits and non-cash movements on accruals.