

Siegfried with Jump in Sales



- With sales of 717.7 million Swiss francs, the company set a new record in its corporate history (+49.3%). For the first time, sales of the sites acquired from BASF the previous year were fully consolidated.
- EBITDA before integration costs grew significantly by 30.1% to 104.2 million francs, corresponding to a margin of 14.5%. EBITDA including integration costs amounting to 7.5 million francs reached 96.7 million francs.
- Net profit of 27.9 million francs is lower than in 2015 (39.1 million francs) owing to integration costs and significantly higher tax and financial expenses.
- Order backlog reached an all-time high.
- In May 2016, the new plant in Nantong (China) received an operating license for commercial production, and the new plant in Zofingen (Building 425) started production.
- The Board of Directors will propose to the Annual General Meeting a dividend increase (distribution from reserves of capital contributions) from CHF 1.80 to CHF 2.00.

Key Figures 2016

	2016	2015	Change CHF (LC)
Net sales (million CHF)	717.7	480.6	+49.3% (+47.3%)
Gross profit (million CHF)	109.2	90.7	20.5%
Gross profit margin (%)	15.2%	18.9%	
Results before special effects*			
EBITDA (million CHF)	104.2	80.1	30.1%
EBITDA margin (%)	14.5%	16.7%	
EBIT (operating result) (million CHF)	54.2	46.4	16.8%
EBIT margin (%)	7.6%	9.7%	
Net profit (million CHF)	33.4	34.1	-2.3%
Net profit-margin in percentage	4.6%	7.1%	
Non-diluted earnings per share (CHF)	8.59	8.63	-0.5%
Diluted earnings per share (CHF)	8.41	8.52	-1.2%
Results including special effects*			
EBITDA (million CHF)	96.7	77.1	25.5%
EBITDA margin (%)	13.5%	16.0%	
EBIT (operating result) (million CHF)	46.7	43.4	7.6%
EBIT margin (%)	6.5%	9.0%	
Net profit (million CHF)	27.9	39.1	-28.6%
Net profit-margin in percentage	3.9%	8.1%	
Non-diluted earnings per share (CHF)	7.18	9.89	-27.4%
Diluted earnings per share (CHF)	7.04	9.76	-27.9%
Cash flow from operating activities (million CHF)	57.1	23.1	147.5%
Investment in property, plant and equipment and intangible assets (million CHF)	68.4	95.0	-28.0%
December 31, 2016			
Equity (million CHF)	660.7	492.7	34.1%
Total assets (million CHF)	1 021.4	1 003.9	1.7%
Equity as a percentage of total assets	64.7%	49.1%	
Employees (number of full time positions)	2 315	2 238	3.4%

* Integration costs in 2016 and 2015 incl. tax effect, positive effects on taxes in 2015.

Following distinctive growth in the preceding years, the Siegfried Group reports a gratifying result for 2016. With sales of 717.7 million Swiss francs, the company set a new record in its history of more than 140 years. The growth of 49.3% is high because in 2016, for the first time, all of the sites acquired the previous year were fully consolidated and the new site in Nantong (China) made its first contribution. In 2016, EBITDA excluding integration costs grew significantly by 30.1% to 104.2 million francs. EBITDA including integration costs of 7.5 million francs reached 96.7 million francs. As expected, the corresponding EBITDA margin for the 2016 year of consolidation slightly decreased and is reported at 14.5%. Net profit amounted to 27.9 million francs (2015: 39.1 million francs). The decline is attributable to higher tax expenses (approximately 7 million francs) and higher financial expenses in connection with the higher indebtedness. In the previous year Siegfried benefited from tax credits.

Siegfried generated operating cash flow in 2016 (before changes in net current assets) of 95.9 million francs (2015: 65.0 million francs), an increase of 47.5%. Operating cash

flow including changes in net current assets grew from 23.1 million francs in 2015 to 57.1 million francs.

Focus on implementation and consolidation

Being aware that every acquisition is only as good as its implementation, Siegfried's focus in 2016 was on integration and consolidation. The connected one-time expense is shown as integration cost.

Significant milestones achieved

In the year under review, development and restructuring of the global production network achieved several significant milestones. The Chinese authorities issued Siegfried a final operating license for large-scale production at its Nantong plant, which was inaugurated in 2015. Beforehand, the authorities carried out a comprehensive and successful inspection of the plant. Currently, several products are being developed and produced in Nantong. Thus Siegfried is now in a position to take full advantage of this essential cornerstone of its production network and significantly improve its competitiveness. The fact that an important supplier company operates a production plant in China is being positively recognized by the market. The new plant in Zofingen, with a technical design comparable to that in Nantong, started commercial production. In the current year, Siegfried will expand its research and development capacity in order to meet customer requests faster. In Zofingen, about 40 new laboratory workstations are being set up. In addition, construction of the new logistics building comprising some 5,000 pallet positions is to begin shortly.

Strong market position

Implementation of its strategic projects in the 2010–2015 financial years has, in several respects, strengthened Siegfried's position in the market. The company's customer base grew significantly, especially in the United States of America, the most important pharmaceutical market. Now, and at least for the coming years, Siegfried enjoys the necessary critical size to flexibly meet customer requests and needs. In 2016, APIs (drug substances) stood for about three quarters of Siegfried's sales and finished dosage forms (drug products) for one quarter. Both areas reported organic growth. Siegfried's positive sales results are directly related to its market cultivation strategy. In the year under review, the Business Development & Sales team set a new record in Siegfried's history in terms of new project orders.

Proposals to the Annual General Meeting

Thomas Villiger (1951), Vice-Chairman of the Board of Directors and a member since 2011, is not standing for re-election. Seeing that two Board members were elected at the 2016 Annual General Meeting, the Board of Directors decided not to recommend a replacement to the 2017 Annual Meeting.

Based on the positive results, the Board of Directors will recommend to the Annual General Meeting a payout to shareholders from the capital contribution reserves of CHF 2.00.

Strategy work continues

Siegfried CEO Rudolf Hanko: "The consolidation process in the industry has by no means been completed. We shall remain active in the change process in order to protect our leading position in the CMO market. As well as welcome additional size and connected flexibility, we aim to achieve, especially, deepening and expansion of our technical expertise".

Outlook

Siegfried expects to achieve a robust result for the current year. The company anticipates high single-digit sales growth for 2017 subject to developments in various foreign currencies. In addition, the earnings situation will continue to improve based on the identified synergies. This will represent the basis on which to increase profit distribution to shareholders, also in the years to come.

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This Media Release on the web

<http://www.siegfried.ch/media-releases/>

CEO videostatement on the web

<http://www.siegfried.ch/videostatement/en>

About Siegfried

The Siegfried Group is active worldwide in the field of Life Sciences with production facilities located in Switzerland, the USA, Malta, China, Germany and France. At the end of 2016, Siegfried reported annual sales of CHF 718 million and employs at the time being approximately 2300 employees at nine locations on three continents. 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 intermediates and controlled substances, and provides development and production services for 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)	2016	2015
Net sales	717 729	480 571
Cost of goods sold	-608 509	-389 919
Gross profit	109 220	90 652
Marketing and sales costs	-16 028	-13 041
Research and development costs	-21 193	-23 289
Administration and general overhead costs	-31 488	-23 311
Other operating income	6 239	12 423
Share of results of associated companies	-36	-33
Operating result	46 714	43 401
Financial income	25	236
Financial expenses	-12 593	-5 694
Exchange rate differences	587	-892
Profit before income taxes	34 733	37 051
Income taxes	-6 827	2 049
Net profit	27 906	39 100
Non-diluted earnings per share (CHF)	7.18	9.89
Diluted earnings per share (CHF)	7.04	9.76

Consolidated Balance Sheet

In 1000 CHF (as of December 31)	2016	2015
Assets		
Non-current assets		
Property, plant and equipment	488 234	469 959
Intangible assets	9 048	10 139
Investments in associated companies and joint ventures	473	527
Financial and other non-current assets	3 524	3 424
Employer contribution reserves	9 151	8 763
Deferred tax assets	42 803	48 868
Total non-current assets	553 233	541 680
Current assets		
Inventories	243 669	256 923
Trade receivables	155 771	123 979
Other current assets	29 029	27 839
Accrued income and prepaid expenses	7 115	5 880
Current income taxes	433	249
Derivative financial instruments	471	–
Cash	31 636	47 386
Total current assets	468 124	462 256
Total assets	1 021 357	1 003 936
Liabilities and equity		
Equity		
Share capital	8 333	8 300
Treasury shares	–51 787	–37 197
Capital reserves	75 699	79 753
Hybrid capital	315 985	157 495
Retained earnings	312 506	284 303
Total equity	660 736	492 654
Non-current liabilities		
Non-current financial liabilities	91 107	214 667
Non-current provisions	25 105	27 118
Deferred tax liabilities	4 638	5 740
Other non-current liabilities	1 869	2 006
Non-current pension liabilities	114 268	114 025
Total non-current liabilities	236 987	363 556
Current liabilities		
Trade payables	55 336	64 703
Other current liabilities	18 017	12 505
Accrued expenses and deferred income	37 638	46 043
Other current financial liabilities	–	10 000
Derivative financial instruments	385	429
Current pension liabilities	136	619
Current provisions	9 669	10 688
Current income tax liabilities	2 453	2 739
Total current liabilities	123 634	147 726
Total liabilities	360 621	511 282
Total liabilities and equity	1 021 357	1 003 936

Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)	2016	2015
Net profit	27 906	39 100
Depreciation and impairment of PP&E and intangible assets	50 000	33 681
Change in provisions	-1 940	41
Other non-cash items	-2 734	-12 293
Share-based payments	3 830	2 073
Exchange rate differences	-586	892
Financial income	-25	-236
Financial expenses	12 593	5 694
Income taxes	6 827	-2 049
Share of results of associated companies	36	33
Net result on disposal of property, plant and equipment	-	-1 911
Cash flow from operating activities before change in net current assets	95 907	65 025
Change in trade receivables	-30 210	-24 773
Change in other current assets	-4 274	1 775
Change in inventories	13 881	-14 681
Change in trade payables	-7 791	-3 508
Change in other current liabilities	-1 165	1 261
Payments out of provisions and pension liabilities	-5 042	-1 370
Income taxes paid	-4 193	-654
Cash flow from operating activities	57 113	23 075
Purchase of property, plant and equipment	-64 909	-94 703
Proceeds from disposal of property, plant and equipment	138	5 629
Purchase of intangible and other assets	-3 516	-296
Proceeds from disposal of intangible assets	97	-
Acquisition of Group companies	2 157	-160 361
Investments in financial fixed assets	249	-3 233
Interest received	11	101
Dividend received	11	27
Cash flow from investing activities	-65 762	-252 836
Capital increase	1 557	-
Issuance of hybrid capital	158 490	157 495
Change in financial liabilities	-132 856	106 686
Repayment of current financial liabilities	-	-11 864
Change in other non-current liabilities	456	198
Purchase/disposal of treasury shares, net	-13 242	-14 195
Interest paid and bank charges	-12 754	-8 356
Dividend to the shareholders of Siegfried Holding AG	-6 998	-5 986
Cash flow from financing activities	-5 347	223 978
Net change in cash	-13 996	-5 783
Cash at the beginning of the year	47 386	50 224
Net effect of exchange rate changes on cash	-1 754	2 945
Cash at the end of the year	31 636	47 386