Financial Report

In 2014 Siegfried succeeded in further increasing the EBITDA margin and so taking an important step towards the target of 20%.

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%

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Financial Commentary 2014

Strategy implementation on track

In 2014 Siegfried generated net sales of CHF 315.3 million. Compared to the prior year this represents a decline of 15.9% in CHF or 15.2% in local currencies. Net sales of Drug Substances decreased by 14.5% (– 13.8% in local currencies) to CHF 234.4 million. Drug Products reported a decrease by 19.7% (– 18.9% in local currencies) to CHF 80.9 million. About half of the missing contribution margin was offset in the result by variablizing important blocks of costs.

On the other hand for Siegfried the year 2014 was very successful in new project acquisitions. Siegfried also made great progress in implementing its strategy. At the end of November 2014 Siegfried acquired Hameln Pharma in Hameln, Germany. As it was consolidated for only one month, the acquisition effect was minor and adds only 1.9% (EUR 5.1 million) to sales. Annualised, Hameln Pharma will contribute about one-sixth of the Siegfried Group's sales and, together with Alliance Medical Products acquired two years ago, will considerably strengthen Sterile Filling. As a result Sterile Filling will become an important pillar in our service offering. The build-up of the new location in Nantong (China) and of the new multi-purpose plant in Zofingen also advanced well.

Further improvement of the EBITA-margin

In 2014, Siegfried achieved an EBITDA of CHF 58.8 million (prior year CHF 65.5 million). The EBITDA margin improved by one percentage point to 18.6%. With this Siegfried is on course towards the targeted rate of 20%. Despite falling sales Siegfried has succeeded in improving the EBITDA margin thanks to the variabilisation of important blocks of costs. The EBIT margin of 10.8% is only a little below the prior year. The EBIT reached CHF 34.0 million (2013: CHF 40.8 million).

Cost of goods sold fell to CHF 242.5 million as a result of lower sales. The result was a Gross profit of CHF 72.8 million on a Gross margin of 23.1% (prior year CHF 98.7 million with a margin of 26.3%).

Marketing and sales costs of CHF 8.4 million were unchanged from the prior year. As a result of being able to charge more research and development services, research and development costs fell from CHF 23.1 million to CHF 21.3 million. Administration costs recorded a major reduction to CHF 17.1 million, more than half of which was the result of a lower charge for the Equity Ownership Plan (EOP), which expired at the end of 2013. Cost savings measures in 2014 further supported a reduction in administration costs. The other operating income of CHF 8.0 million is CHF 0.8 million below prior year. Following the sale of the investment in the Taiwanese SCI Pharmtech, Inc., in 2013 the corresponding positive result from associated companies, which in the prior year, contributed CHF 0.6 million to the operating result, falls away from 2014.

Good Natural Hedge

In 2014 the US-Dollar and the Euro remained relatively stable compared with 2013, as each fell just slightly by one Swiss Cent. Siegfried still follows the strategy of achieving a Natural Hedge that is as high as possible. In the past financial year this lay in US dollars by about 86% and in Euro even as high as 98%. This results in only a marginal negative effect of CHF 0.3 million on the 2014 operating result.

Crucial for Siegfried is the assessment of the foreign currency situation following the ending of the Euro lower limit by the Swiss National Bank in mid-January 2015. As already mentioned, Siegfried has a very high Natural Hedge. This applies unchanged also for the financial year 2015. With the acquisition of Hameln Pharma, sales and the cost portion in Euro will increase, accordingly the portion in US-Dollar and Swiss franc will decrease. Keeping the Natural Hedge remains an important challenge for Siegfried, including when acquiring new business. Siegfried has proved that in this respect it is well positioned, so that the effects on the operating results are likely to remain manageable.

Decline in net profit due to non-recurring effect in the prior year

The financial result of CHF 2.2 million is made up of financing costs and financial expense of CHF 3.3 million, financial income of CHF 0.2 million and a positive foreign exchange result of CHF 0.9 million. Including a positive tax result of CHF 6.8 million, the net profit amounts to CHF 38.6 million with a net profit margin of 12.2%. In the prior year the result was a net profit of CHF 53.9 million with a margin of 14.4%. However, this included the non-recurring effect from the sale of the investment in SCI Pharmtech, Inc., Taiwan, in the amount of CHF 11.3 million. The net profit represents earnings per share (EPS) of CHF 9.97 and a diluted earnings per share of CHF 9.92 (2013: EPS CHF 15.07, diluted EPS CHF 13.73; these figures also include the non-recurring effect).

High Investments- and Acquisitions activities

In 2014 Siegfried generated an operating cash flow before changes in net working capital of CHF 58.1 million (prior year CHF 64.3 million). Including changes in net working capital the operating cash flow was CHF 24.6 million (prior year CHF 67.5 million). During the year the net working capital increased, firstly the very low inventories at the beginning of the year were built up again and secondly the high sales in the fourth quarter are still partially reflected in the books as accounts receivable.

The years 2013, 2014 and 2015 are impacted by high investments in fixed assets, above all in the new factory in Nantong, China, and in the new multi-purpose plant in Zofingen. In 2014, investments in fixed assets amounted to CHF 81.9 million (2013: CHF 47.7 million) in the aggregate. CHF 41.0 million relate to Nantong, CHF 19.1 million to the new multi-purpose plant in Zofingen. A further new investment was made in Pennsville, USA in a new and markedly larger and more efficient Spray Dryer, which commenced operations during 2014. This investment amounted to CHF 7.0 million, about half of which was incurred in 2014.

The cash flow for investing activities reflects the acquisition of Hameln Pharma in the amount of CHF 52.3 million, of which CHF 46.3 million was paid in cash and CHF 6.0 million in Siegfried shares. Finally the earn-out payment to the former owner of Alliance Medical Products, Inc. in the amount of CHF 13.2 million is included. In total the cash flow for investing activities amounted to CHF 141.5 million.

The acquisition of Hameln Pharma was financed by means of the syndicated loan in EUR. This ensures that investment and future cash flows are currency congruent. The financing of the acquisition can be seen in the cash flow from financing activities. As a result at the end of 2014 net debt reached CHF 85.2 million. At the end of 2014 CHF 50.2 million was held in cash and gross loans amounting to CHF 135.4 million were outstanding. Also included in the cash flow from financing activities is the dividend of CHF 1.50 per registered share or in total CHF 6.0 million. While net debt and net debt ratio have increased as a result of the recent acquisition, the net debt in relation to EBITDA at 1.4 still lies in a comfortable range as far as the financial covenants are concerned.

Michael Hüsler
CFO

Consolidated Balance Sheet

In 1 000 CHF (as of December 31)	Notes*	2014	2013
Assets			
Non-current assets			
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
Total non-current assets		**356 142**	**240 376**
Current assets			
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
Total current assets		**273 430**	**297 396**
Total assets		**629 572**	**537 772**
Liabilities and equity			
Equity			
Share capital		8 300	7 600
Treasury shares		–19 236	–33 421
Capital reserves		85 739	61 479
Retained earnings		307 965	326 775
Total equity		**382 768**	**362 433**
Non-current liabilities			
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
Total non-current liabilities		**139 727**	**76 486**
Current liabilities			
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
Total current liabilities		**107 076**	**98 853**
Total liabilities		**246 803**	**175 339**
Total liabilities and equity		**629 572**	**537 772**

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

Consolidated Income Statement

In 1 000 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
Gross profit		**72 765**	**98 748**
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
Operating result		**34 005**	**40 839**
Financial income	20	171	11 833
Financial expenses	20	–3 318	–3 071
Exchange rate differences	20	928	655
Profit before income taxes		**31 786**	**50 256**
Income taxes	6	6 770	3 595
Net profit		**38 556**	**53 851**

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 Statement of Cash Flows

In 1 000 CHF (for the years ended December 31)	Notes*	2014	2013
Net profit		**38 556**	**53 851**
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[1]		–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
Cash flow from operating activities before change in net current assets		**58 059**	**64 256**
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
Cash flow from operating activities		**24 642**	**67 529**
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
Cash flow from investing activities		**–141 457**	**–25 721**
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
Cash flow from financing activities		**39 497**	**13 022**
Net change in cash		**–77 318**	**54 830**
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

* The notes on pages 121 – 147 are an integral part of the Group Financial Statements.
[1] 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.

Consolidated Statement of Changes in Equity

In 1 000 CHF	Share capital	Treasury shares	Capital surplus and legal reserves	Value fluctuations of financial instruments*	Accumulated profits*	Cumulative translation adjustments*	Total equity[1]
As of January 1, 2013	**7 600**	**–20 442**	**65 762**	**–20**	**331 466**	**–68 014**	**316 351**
Net profit	–	–	–	–	53 851	–	53 851
Dividends	–	–	–4 283	–	–	–	–4 283
Changes in financial instruments				152			152
Employee share plan	–	–	–	–	9 266	–	9 266
Change in treasury shares	–	–12 979	–	–	2 959	–	–10 020
Change in consolidation scope associated companies					–250		–250
Currency translation differences						–2 635	–2 635
As of December 31, 2013	**7 600**	**–33 421**	**61 479**	**132**	**397 292**	**–70 649**	**362 433**
Net profit	–	–	–	–	38 556	–	38 556
Dividends	–	–	–5 931	–	–	–	–5 931
Changes in financial instruments				–891			–891
Employee share plan	–	9 967	–	–	–40 013	–	–30 046
Change in treasury shares	–	4 217	–	–	3 239	–	7 456
Capital increase	700	–	30 191	–	–	–	30 891
Goodwill allocation	–	–	–	–	–30 479	–	–30 479
Change in consolidation scope associated companies	–	–	–	–	–	–	–
Currency translation differences	–	–	–	–	–	10 779	10 779
As of December 31, 2014	**8 300**	**–19 236**	**85 739**	**–759**	**368 595**	**–59 870**	**382 768**

* In the Consolidated Balance Sheet these items are disclosed as retained earnings.

The share capital of Siegfried Holding AG increased from CHF 7.6 million to CHF 8.3 million. It is divided into 4 150 000 registered shares each with a nominal value of CHF 2 (2013: 3 800 000 registered shares) see Note 11.

All fully consolidated investments are held to 100% by the Group. Therefore, at year end, as in the previous year the Group had no minorities of third parties.

Notes to the Consolidated Financial Statements

General information

Financial Statements
The financial reporting of the Siegfried Group complies with Swiss GAAP FER and the provisions of Swiss law. The Consolidated Financial Statements are based on historical costs, except for the revaluation of specific financial assets and liabilities, such as derivative financial instruments. As described in the following policies, they are valued at fair value. The Consolidated Financial Statements are prepared on the going concern basis. The Consolidated Financial Statements of the Siegfried Group are presented in Swiss francs and were approved by the Board of Directors on February 26, 2015 for presentation to the General Meeting held on April 14, 2015.

Information about the Group
The Siegfried Group is a worldwide pharmaceutical supplier with production sites in Switzerland, Germany, Malta, the USA and China. Under contract to the pharmaceutical industry Siegfried develops manufacturing processes for active pharmaceutical ingredients and their intermediates and produces them (Drug Substances). The Siegfried Group also produces finished pharmaceutical products (Drug Products). With the acquisition of the Hameln Pharma companies, which are engaged in the development and finishing of sterile liquid dosage forms, this mainstay will be significantly strengthened. Siegfried Holding AG (head office in Zofingen, AG) is listed on the SIX Swiss Exchange.

Method and scope of consolidation
The Consolidated Financial Statements include the financial statements of all Swiss and foreign companies, in which Siegfried Holding AG controls (generally over 50% of the voting interest) directly or indirectly the financial and operating policy. Assets and liabilities, income and expenses are included according to the full consolidation method. Minority interests in the net assets and income of consolidated companies are recorded separately both in the Consolidated Balance Sheet and the Consolidated Income Statement. At year end there are no minority interests in the Group.

Investments in associated companies are accounted for using the equity method. These are companies, over which the Group exercises significant interest, but not control. This is generally the case with a voting rights share of 20% to 50%. Investments in joint ventures are also accounted for using the equity method.

Group companies acquired or disposed of during the reporting period are included in or excluded from the Consolidated Financial Statements from the date of acquisition or disposal. The individual financial statements, on which the Consolidated Financial Statements are based, are drawn up in accordance with accounting principles applied consistently throughout the Group. All intercompany transactions, including receivables and payables, income and expenses, unrealized intercompany profits are eliminated in the consolidation. The annual reporting period for all Group companies ends on December 31.

Changes in accounting principles

Swiss GAAP FER 31 – Financial reporting standard for listed companies
The supplementary Financial Reporting Standard for listed companies will become effective as of January 1, 2015. Earlier application is permitted. It deals with the initial adoption of Swiss GAAP FER, share-based payments, business being discontinued, earnings per share, income taxes, financial obligations, segment reporting and interim reporting. Siegfried adopted Swiss GAAP FER 31 as of January 1, 2014. The introduction of the new Financial Reporting Standard had no significant impact on the results and disclosures of the Siegfried Group, most the new requirements were already applied. The major change was the disclosure of the tax reconciliation.

Capitalization of financing costs
Third party financing costs in connection with the construction of property, plant and equipment are capitalized until completion of the plant and amortized over the depreciation life of the asset. For materiality reasons the prior year amounts have not been restated.

Accounting principles

Business combinations
Acquisitions of subsidiary companies are reported according to the purchase method. The purchase costs of a business combination include the sum of the fair market value of the acquired assets and additional Goodwill, debts and contingent liabilities, and issued equity instruments at the acquisition date. Purchased Goodwill is eliminated against equity. If the initial accounting for a business combination is incomplete by the end of the reporting period, in which the combination occurred, the combination is accounted for using provisional amounts. Adjustment of the provisional amounts and the recognition of additionally identified assets and liabilities must be undertaken within the measurement period, if new information about facts and circumstances is obtained that existed at the acquisition date. The measurement period may not exceed one year from the acquisition date.

Segment reporting
The Siegfried Group consists of one segment. The decision takers measure the performance of the Group using fully consolidated results of the reportable Segment Siegfried Group.

Foreign currency translation
The positions of the individual financial statements are valued on a functional currency basis. The Consolidated Financial Statements are denominated in Swiss francs. The functional currency of the Group companies is the respective local currency, apart from Siegfried Hong Kong Ltd., which keeps its books in RMB. Balance Sheets stated in foreign currencies are translated at the year-end exchange rates, the corresponding Income Statements at the average annual exchange rates, which should not differ significantly from the exchange rates prevailing on the transaction dates. The exchange rate differences arising from the translation of the Financial Statements are recognized directly in the Consolidated Equity. Exchange rate differences arising on intercompany loans that, in substance, form part of the net investment

in that subsidiary, are also recognized in equity. Intercompany loans are regarded as part of a net investment in a subsidiary, if the settlement of these loans is neither planned nor likely to occur in the foreseeable future. All other exchange rate differences are included in the Income Statement.

The exchange rates applied to the Group's most important foreign currencies are as follows:

Balance Sheet

Year-end rates	2014	2013
1 USD	0.989	0.888
1 EUR	1.203	1.226
100 RMB	16.154	14.669

Income Statement

Average rates	2014	2013
1 USD	0.915	0.927
1 EUR	1.215	1.231
100 RMB	14.901	14.978

Property, plant and equipment

Property, plant and equipment are valued at acquisition or production cost less accumulated depreciation. Land is not depreciated. Depreciation is charged on a straight-line basis over the following estimated useful life of the assets:

Buildings	10–30 years
Machinery and equipment	5–15 years
Vehicles	5–10 years
IT-Hardware	3–5 years

In the context of the periodical update of the accounting manual the useful lives of the asset categories have been adjusted. These adjustments have no major impact on Siegfried's financial statements.

If parts of a fixed asset have different useful lives, they are recognized and depreciated as separate assets. The useful lives of assets are evaluated at least once a year at the reporting date and, if necessary, amended. Property, plant and equipment are excluded from the Balance Sheet upon retirement, or when no value in use can be expected. Maintenance and repair costs are recognized in the Income Statement. Subsequent purchase and production costs are capitalized, only if a future economic benefit is expected and the costs of the asset can be reliably determined.

Leasing

Leased property, plant and equipment for which the significant risks and rewards are transferred to the Group are disclosed as Financial Leases respectively as asset and liability. All other lease agreements are classified as Operating Leases. Leasing liabilities from Operating Leases, which cannot be terminated within one year, are disclosed in the Notes to the Consolidated Financial Statements. Currently the Siegfried Group has entered only into Operating Leases and no Financial leases.

Intangible assets

Intangible assets consist of licenses, patents, trademarks, technology, software and land use rights in China. If there are indications of impairment, intangible assets are tested for recoverability. Software is accounted for at cost of acquisition or of production plus costs of placing it in a usable condition less accumulated amortization and any accumulated impairment losses. It is amortized on a straight-line basis over the estimated useful life. If there are indications of impairment, the software is tested for recoverability. All intangible assets are amortized over the shorter of their following legal and economic lives:

Land use rights China	50 years
Licenses and patents	The shorter of economic or legal life, as a rule 5–20 years
Trademarks	The shorter of economic or legal life, as a rule 5–20 years
Software	3–5 years

Impairment tests are carried out whenever there are indications that intangible assets may be impaired. If the carrying amount is greater than the recoverable amount, being the higher of the fair market value less costs of disposal and value in use, the carrying amount is reduced to the recoverable amount. This reduction is recognized in the Consolidated Income Statement as expense.

Impairment of non-financial non-current assets

An assessment whether the value of property, plant and equipment and other non-current assets with finite useful life may be impaired is undertaken if as a result of events or changed circumstances it appears possible that the carrying amounts are not recoverable. If the carrying amount exceeds the recoverable amount, then an impairment is recorded to this amount. The recoverable amount is the higher of the asset’s net recoverable value and the value in use. When an impairment loss arises the useful life of the asset in question is reviewed and, if necessary, the future depreciation charge is accelerated.

Securities / Financial assets
Securities are a part of the current assets and are valued at market price. If no market value is available the securities are valued at acquisition cost less any impairment. Financial assets are carried at acquisition cost less impairment, if any.

Inventories
Inventories include raw materials, supplies, semi-finished goods and finished goods. They are measured at the lower of acquisition or production cost and net recoverable value. Production costs comprise all manufacturing costs including an appropriate share of production overheads. Costs are assigned to inventory based on the first-in, first-out method. Appropriate valuation allowances are made for obsolete and slow-moving inventory items. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables
Trade receivables are included initially at nominal value and subsequently at amortized cost; this is equal to the amounts invoiced after deducting allowances for doubtful accounts. Indications for possible impairment are given if payment is delayed, the customer is experiencing financial difficulties, or recapitalization or bankruptcy is likely. Allowances for doubtful accounts are established based on the difference between the net present value of the nominal amount of the receivables and the estimated net collectible amount. The expected loss is recognized in the Income Statement in the line item Marketing and sales. When a trade receivable becomes uncollectible, it is derecognized against the allowance for doubtful accounts.

Other receivables
This caption includes mainly VAT receivables and other receivables. They are recorded at net realizable value.

Accrued income and prepaid expenses
Accrued income is valued at nominal value and contains payments made for the following financial year and accrued income which will be received in the next period.

Cash
Cash consists of cash, balances held in postal and bank accounts and short-term deposits with a maturity of three months or less from the date of acquisition and are carried at current value. Cash is the defined fund of the Consolidated Cash Flow Statement.

Equity / Treasury shares

A purchase of treasury shares by a Group company, including all costs (net after taxes), is recorded against equity, until the shares are redeemed, reissued, or sold. If treasury shares are issued or sold at a later date, the net consideration less directly attributable transaction costs and income taxes is recorded in equity.

Financial liabilities

All financial liabilities are recorded under current or non-current financial liabilities. The non-current financial liabilities include all liabilities with a residual duration of more than one year. The current financial liabilities include all liabilities with a duration of less than one year, including the current portion of non-current liabilities. If at the reporting date there is a binding commitment to extend a maturing loan, it is classified according to the new duration.

Other liabilities

Other liabilities are valued at nominal value and contain mainly VAT liabilities, shift allowances and liabilities from social insurances like AHV, IV etc.

Accrued expenses

Accrued expenses are valued at nominal value and contain mainly payments which are due in the following financial year but should be expensed in the current financial year.

Provisions

Provisions are recorded if, as a result of a past event, there is a justified probable obligation, the amount and/or due date of which is uncertain but can reasonably be estimated. The calculation of the provision is based on the estimate of the cash outflow to settle the obligation. If time is a significant factor, the amount of the provision is discounted.

Employee benefits

Pension plans

The Group operates various employee benefit plans in and outside Switzerland for employees who satisfy the participation criteria. The pension benefits paid are governed by the legal requirements in the respective countries. The employees of the Swiss companies in the Group are insured in the Pensionskasse Siegfried, a legally autonomous foundation. The pension fund is financed by employee and employer contributions. In addition there is an affiliation to a collective foundation and pension commitments that are financed directly by the employer. Abroad there are separate pension schemes.

The effective economic effects of all Group pension plans are calculated annually at the reporting date and the resulting liability or economic benefit is recognized in the Balance Sheet. Employer contribution reserves are recognized as assets, provided they are not covered by a waiver of use. Changes in value of employer contribution reserves or liabilities are recognized in the Income Statement in personnel costs.

Share-based payments

In 2014 Siegfried introduced a Long Term Incentive Plan (LTIP) for the members of management. At the beginning of a vesting period of three years the plan participants acquire a defined number of Performance Share Units (PSU). After the three year vesting period the plan participants are allocated a certain number of shares per acquired PSU. For the plan satisfied with equity instruments, the expense of the remuneration granted is recognized by an increase in equity. The related costs are recognized as personnel expenses in the period in which the claim arose. The valuation of the PSU is undertaken by an external company, which is specialised in the valuation of option and equity plans.

The Siegfried Group also implemented an Employee Share Purchase Plan in 2005 to allow employees to buy shares at plan rate, a discounted rate of 30% below market value. The share plan is considered as an equity-settled share-based payment plan. The fair value of the shares corresponds to the fair value at grant date. Costs for the employee share plan are recorded as personnel expenses in the period in which the employee performed his/her services. The costs for the shares are adjusted to fair value on the grant date and also recorded as personnel expenses.

Profit sharing/bonus plans

The group also has a Short Term Incentive Plan (STIP) which is annully copensated in cash. Bonus obligations in cash and profit sharing are recognized on an accrual basis as a liability and expense, if there is a contractual commitment or past business practice that constitutes a de facto commitment.

Taxes

The tax expense for the period comprises current and deferred taxes. Provisions are made for deferred taxes on all temporary differences between amounts determined for tax purposes and those reported for Group accounting purposes at the actual local tax rates likely to be applied. The temporary differences are mainly due to the application of a declining balance depreciation allowed for tax purposes and to the creation of reserves on inventories and receivables. Deferred tax assets arising from temporary timing differences and tax loss carry-forwards are recognized if it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. Management analyzes on a annual basis the financial situation and the expected profits of the concerned companies. Changes in deferred taxes are recognized against net profit unless the tax relates to an item recognized directly in equity. No provisions are made for deferred income taxes on potential future dividends out of retained earnings, as these sums are deemed permanently reinvested.

Net sales

Net sales represent amounts received and receivable for goods and services supplied to customers after deducting discounts and volume rebates and excluding sales and value-added taxes. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer. Raw materials supplied by the customer, or raw materials for which the customer carries the risk are not recognized as sales. Income from services is recognized on an accrual basis in accordance with the underlying service agreements.

Cost of goods sold

The production costs of the goods and services sold include the direct production costs and the production overheads related to the goods sold and the services rendered.

Other operating income

Royalties are recognized in other operating income on an accrual basis in accordance with the terms of the underlying agreement. The remainder of the other operating income also includes gains on the sale of fixed assets and income from activities that are not part of the Siegfried Group's core business.

Research and development

Research and development costs include wages and salaries, development costs, costs of materials and overheads and are directly expensed.

Dividends

Dividends to shareholders are recorded as liabilities at the time the resolution to pay a dividend is made.

Government grants

In connection with investment projects, some foreign companies of the Siegfried Group receive government grants, which are capitalized at their fair value only if there is a high probability that the conditions will be met. Government grants related to fixed assets are deducted in arriving at the carrying amount of the fixed asset. The grant is recognized as income over the life of a depreciable asset by way of a reduced depreciation charge.

Transactions with related parties

Transactions with related parties are defined as a business relationship with shareholders of the Group, with companies which are fully consolidated and other related parties as defined under Swiss GAAP FER 15.

Risk management

Siegfried's business involves risks which should be identified by the risk management. By identifying risks at an early stage it is possible to take early action. The Board of Directors has delegated the responsibility for the organization and maintenance of a risk management system to the Management.

A distinction is made between operating risks and risks on strategic projects as significant risk classes.

The operating risks were determined separately for the different functional areas. Responsibility for documenting, communicating and managing the current operating risks lies with the Operational Leaders of the functional areas. The operating risks are evaluated and classified according to the probability that they will occur and the amount of damage. The most important risks per functional area are regularly reviewed.

Major projects of a strategic nature are subject within the Siegfried Group to project management. Part of the project management is the ongoing recognition, monitoring and proactive investigation of risks. Responsibility for strategic projects and management of associated risks always lies with a member of Executive Management.

Operating risks that are expected or have occurred are communicated in monthly reports to the Executive Management. Risks of greater consequence are also communicated in monthly reports to the Board of Directors. The progress of strategic projects is communicated monthly to the Executive Management and at least quarterly also to the Board of Directors. This reporting also includes an up-to-date risk assessment.

At its strategy meeting on June 16 and 17, 2014 the Board of Directors considered in depth the strategic projects and their inherent risks. When there were significant changes, it also called for information at other meetings about risks associated with strategic projects and took respective decisions. Operating risks were discussed and assessed by the Board of Directors at its regular meetings. The most important operational risks per area were defined on November 27, 2014. The annual report on the internal control system, including its assessment, was also approved at the meeting on November 27, 2014. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 24, 2014.

Financial risk management

Financial risk management within the Group is governed by policies and guidelines approved by Management. These policies cover foreign exchange risk, interest rate risk, market risk, credit risk and liquidity risk. Group policies also cover the investment of excess funds and the raising of debts. Both the investment of excess funds and the raising of current and non-current debts are centralized. Risk management strives to minimize the potential negative effects on the Group's financial position.

Market risks

Siegfried is exposed to market risks which consist mainly of foreign exchange risk, interest rate risk and market value risk.

Foreign exchange risks

Siegfried operates across the world and is therefore exposed to movements in foreign currencies affecting its reporting in Swiss francs. Foreign exchange risks arise on business transactions that are not conducted in the Group's functional currency. Siegfried continues to monitor its currency exposures. The Group seeks to reduce the foreign exchange risk with natural hedges. If necessary, the Group will also take forward contracts, swaps or currency options into consideration.

The Siegfried Group is exposed principally to currency risk in respect of the USD and EUR and to a lesser extent of the RMB.

With the lifting of the cap on the Euro lower limit by the Swiss National Bank in January 2015 the focus on this topic has become more intense. Already in past years Siegfried has assigned this risk a high priority. Siegfried is therefore very well positioned in this respect and both in Euro and US Dollar has established a very high Natural Hedge, so that the effects on the results are estimated to be marginal.

Interest rate risks

Interest rate risks arise from movements in interest rates, which could have adverse effects on the Group's net profit or financial position. Interest rate movements can result in changes in interest income and expense on interest bearing assets and liabilities. In addition, they can also, as described under the market value risks below, impact specific assets, liabilities and financial instruments. Within the Siegfried Group, interest rate management is centralized.

The Group may also employ financial instruments, such as interest rate swaps, to hedge against movements in interest rates.

Market value risks
Changes in the market value of financial assets and derivative financial instruments can affect the financial position and net profit of the Group. Non-current financial investments, such as investments in subsidiaries, are held primarily for strategic reasons. Risks of loss in value are minimized by thorough analysis before purchase and by continuously monitoring the performance and risks of the investments.

Liquidity risks
The Group companies need to have sufficient access to cash to meet their obligations. The treasury department manages the raising of current and non-current debt. Centrally cash flow forecasting is performed by the operating entities of the Group and aggregated and monitored by Group Finance. Excess liquidity is also managed centrally.

Credit risks / counterparty risks
Credit risks arise from the possibility that the counter-party to a transaction may be unable or unwilling to meet their obligations, causing a financial loss to Siegfried. Trade receivables are subject to active risk management focusing on the monitoring and controlling of risks.

The credit risks on other financial assets are limited by the policy of restricting them to institutional partners. Where possible, the latter are controlled by an ongoing review of the classification of their creditworthiness and the limitation of aggregated individual risks. It has also been laid down that no more than 30% of the liquid funds may be deposited with a single credit institute.

Capital risk
The capital of the Siegfried Group is managed with a view to ensuring the continuation of operations, to earning an adequate yield for the shareholders and to optimizing the capital structure in order to reduce the cost of capital.

The Siegfried Group monitors its capital structure by reference to the net debt ratio and the equity ratio. The net debt ratio is defined as net debt divided by EBITDA. The equity ratio is defined as equity divided by total assets.

Derivative financial instruments
To manage currency and interest rate exposure, Siegfried may use forward exchange contracts as well as interest rate and currency swaps or put options. Derivatives hedging changes in value of an existing underlying transaction are recognized applying the same valuation principles that are applied to the underlying hedged transaction. A derivative is derecognized as soon as it matures (or an early option is exercised) or as soon as, following a sale or default by the counterparty, no further claim on future payments exists.

Estimates, assumptions and accounting judgments

The compilation of Consolidated Financial Statements in accordance with Swiss GAAP FER requires estimates, assumptions and accounting judgments. The most important forward looking assumptions, from which a substantial risk may arise that could lead to a material adjustment to assets and liabilities within a year, are outlined on the following page.

Impairment test of non-financial non-current assets

In compliance with the above accounting principles the recoverability of the net assets is tested if there is any indication of impairment. The recoverable amount of the cash-generating units is calculated using the Discounted Cash Flow method, based on approved mid-range plans. These calculations require management to make forward looking assumptions and estimates.

Deferred tax assets

At December 31, 2014, Siegfried had available unrecognized tax losses and tax credits of CHF 176.0 million. Any substantial change in the financial position of the subsidiaries would enable the use of these unrecognized tax assets and capitalization of the corresponding tax receivables. Management assesses the capitalization of tax losses and tax credits on an annual basis based on the taxable profits expected in the future (see also note 6).

Environmental provisions

Provisions relate to obligations to eliminate environmental pollution. Future decontamination costs depend on the regulatory status and management decisions on future construction projects. Depending on the nature and scope of the construction projects realized, the obligation to eliminate detrimental effects on the environment is increased or reduced. The environmental provision amounting to CHF 14.7 million would as a consequence be higher or lower (see also note 13).

1. Scope of Consolidation

The consolidation includes the following companies:

Group companies	Share capital	in LC	
Operating			
Siegfried AG, Zofingen (Switzerland)	20 000 000	CHF	100.00%
Siegfried (USA), LLC, Pennsville, NJ (USA)	500 000	USD	100.00%
Penick Corp., Pennsville, NJ (USA)	–	USD	100.00%
Siegfried International AG, Zofingen (Switzerland)	2 000 000	CHF	100.00%
Siegfried Malta Ltd., Valletta (Malta)	100 000	EUR	100.00%
Siegfried GmbH, Munich (Germany)	25 000	EUR	100.00%
Siegfried Hong Kong Ltd., Hong Kong (China)	1 000	HKD	100.00%
Alliance Medical Products Inc., Irvine, CA (USA)	116 521	USD	100.00%
Siegfried (Nantong) Pharmaceuticals Co. Ltd. (China)	346 925 622	CNY	100.00%
Hameln Pharmaceuticals GmbH, Hameln (Germany)	750 000	EUR	100.00%
Hameln RDS GmbH, Hameln (Germany)	30 000	EUR	100.00%
Finance and administration			
Siegfried Holding AG, Zofingen (Switzerland)	8 300 000	CHF	100.00%
Siegfried Finance AG, Zofingen (Switzerland)	14 000 000	CHF	100.00%
Siegfried Deutschland Holding GmbH, Lörrach (Germany)	1 790 000	EUR	100.00%
Siegfried USA Holding Inc., Pennsville, NJ (USA)	3 000	USD	100.00%
Siegfried Deutschland Real Estate GmbH, Lörrach (Germany)	25 000	EUR	100.00%
Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	25 000	EUR	100.00%
Joint venture			
Alpine Dragon Pharmaceuticals Ltd., Huangyang, Gansu Province (China)	10 542 708	CNY	49.00%

On November 28, 2014 Siegfried fully acquired Hameln Pharmaceuticals GmbH, Hameln RDS GmbH and Hameln Real Estate KG, in Hameln, Germany. In connection with the acquisition, Siegfried Deutschland Real Estate GmbH was incorporated.

2. Property, plant and equipment

In 1000 CHF	Land	Buildings	Machinery and equipment	Prepayments	Assets under construction	Total
Acquisition costs						
As of January 1, 2013	6 942	160 399	454 837	618	18 128	640 924
Translation differences	–	–921	–1 883	–106	–592	–3 502
Additions	–	206	2 265	5 195	38 602	46 268
Disposals	–	–6 797	–24 051	–	–68	–30 916
Reclassifications	–	1 031	11 331	–599	–11 763	–
As of December 31, 2013	**6 942**	**153 918**	**442 499**	**5 108**	**44 307**	**652 774**
Translation differences	–8	3 703	8 819	194	6 418	19 126
Change in scope of consolidation	776	35 034	37 220	10	–	73 040
Additions	–	85	2 545	2	88 647	91 279
Disposals	–	–3 924	–4 199	–	–245	–8 368
Reclassifications	–	3 084	22 103	–3 840	–21 347	–
As of December 31, 2014	**7 710**	**191 900**	**508 987**	**1 474**	**117 780**	**827 851**
Accumulated depreciation and impairments						
As of January 1, 2013	–	98 720	353 806	–	–	452 526
Translation differences	–	–592	–1 598	–	–	–2 190
Depreciation charge	–	3 002	20 363	–	–	23 365
Disposals	–	–5 523	–23 811	–	–	–29 334
As of December 31, 2013	**–**	**95 607**	**348 760**	**–**	**–**	**444 367**
Translation differences	–	2 288	6 611	–	–	8 899
Change in scope of consolidation	–	15 658	28 037	–	–	43 695
Depreciation charge	–	3 010	20 633	–	–	23 643
Disposals	–	–3 604	–4 076	–	–	–7 680
As of December 31, 2014	**–**	**112 959**	**399 965**	**–**	**–**	**512 924**
Net book value 31.12.2014	**7 710**	**78 941**	**109 021**	**1 474**	**117 780**	**314 927**
Net book value 31.12.2013	**6 942**	**58 311**	**93 739**	**5 107**	**44 308**	**208 407**
Insurance value 31.12.2014						890 847
Insurance value 31.12.2013						885 881

In connection with project Forum, Siegfried sold land and buildings to Swisscanto in 2013. Swisscanto holds a put-option with Siegfried valued at CHF 2.5 million for the repurchase of defined land and areas should the project not be realized. The put-option is registered at the land registry and is valid until August 31, 2019.

In 2014 Siegfried sold buildings and installations with a carrying amount of CHF 0.4 million to Arena Pharmaceuticals GmbH. Additions amounting to CHF 29.3 million (net) recorded in changes in scope of consolidation derive solely from the Hameln acquisition.

As of December 31, 2014, commitments for the purchase of property, plant and equipment amounted to CHF 13.4 million (2013: CHF 30.9 million) thereof CHF 8.2 million (2013: CHF 27.6 million) relate to construction of the production site in Nantong (China). Borrowing costs of CHF 0.8 million (2013: CHF 0.0 million) in connection with the financing of Nantong was capitalized.

3. Intangible Assets

In 1000 CHF	Licenses, patents	Trademarks	Software	Land use rights	Total
Acquisition costs					
As of January 1, 2013	9 947	6 049	9 903	727	26 626
Translation differences	−275	−168	−50	−86	−579
Additions	–	–	25	4 120	4 145
Disposals	–	–	−56	–	−56
As of December 31, 2013	**9 672**	**5 881**	**9 822**	**4 761**	**30 136**
Translation differences	1 092	650	209	481	2 432
Change in scope of consolidation	–	1 385	9	102	1 496
Additions	–	–	124	–	124
Disposals	–	–	−73	–	−73
As of December 31, 2014	**10 764**	**7 916**	**10 091**	**5 344**	**34 115**
Accumulated amortization and impairments					
As of January 1, 2013	5 161	5 065	9 340	–	19 566
Translation differences	−160	−162	−50	−2	−374
Amortization charge	410	522	390	113	1 435
Disposals	–	–	−56	–	−56
As of December 31, 2013	**5 411**	**5 425**	**9 624**	**111**	**20 571**
Translation differences	643	634	206	18	1 501
Change in scope of consolidation	–	1 375	9	97	1 481
Amortization charge	399	434	215	97	1 145
Disposals	–	–	−72	–	−72
As of December 31, 2014	**6 453**	**7 868**	**9 982**	**323**	**24 626**
Net book value December 31, 2014	**4 311**	**48**	**109**	**5 021**	**9 489**
Net book value December 31, 2013	**4 261**	**456**	**198**	**4 650**	**9 565**

The Goodwill which arose upon the acquisition of Alliance Medical Products Inc. (AMP) and the Hameln companies was set off against the Consolidated Equity at the date of purchase. If the Goodwill had been capitalized, the effect on the financial statements would have been as follows:

In 1000 CHF (for the years ended December 31)	2014	2013
Theoretical Goodwill		
As of January 1	67 846	67 846
Additions	30 479	–
As of December 31	**98 325**	**67 846**
Accumulated amortization		
As of January 1	7 161	2 638
Amortization	4 692	4 523
As of December 31	**11 853**	**7 161**
Theoretical Goodwill December 31	**86 471**	**60 685**

The theoretical useful life applied for straight-line amortization is 15 years as it is regarded as a long-term investment into a new field of sterile filling for Siegfried. The Goodwill out of this acquisition is translated into Swiss francs at the rate prevailing at the date of acquisition. This procedure avoids foreign exchange adjustments to the theoretical Goodwill movements.

In 1000 CHF (for the years ended December 31)	2014	2013
Operating result according to Income Statement	34 005	40 839
Amortization of Goodwill	–4 692	–4 523
Theoretical operating result incl. amortization of Goodwill	29 313	36 316
Net profit according to Income Statement	38 556	53 851
Amortization of Goodwill	–4 692	–4 523
Theoretical net profit incl. amortization of Goodwill	33 864	49 328

4. Investment in associated companies and Joint ventures

Alpine Dragon Pharmaceuticals Ltd. was incorporated during 2007 as a joint venture with the Chinese company Gansu Medical Alkaloids, Inc. The joint venture company is at present in the development stage, and therefore no sales have yet been made and the impact on the Financial Statements is immaterial. There are no contingent liabilities or payment commitments in connection with this joint venture.

The investments in associated companies and joint ventures include no goodwill at the reporting date.

5. Financial and other non-current assets

Financial assets are classified in the following categories:

In 1000 CHF	2014	2013
Burill Life Sciences Capital Fund, San Francisco, USA	0	128
Other non-current assets	116	30
Total financial and other non-current assets	**116**	**158**

The Burrill Fund was terminated in 2014. On the remaining non-tradeable positions an impairment of CHF 0.1 million (2013: CHF 0.1 million) was recognized through Income Statement.

6. Income taxes

Income taxes in the Consolidated Income Statement

In 1000 CHF	2014	2013
Current tax expense	391	674
Deferred tax income	–7 161	–4 269
Total income taxes	**–6 770**	**–3 595**

The effective weighted tax rate 2014 is 17.9% (2013: 22.8%). This would lead to a tax expense of CHF 5.8 million (2013. CHF 11.6 million). In 2014 the tax income was CHF 6.8 million (2013: 3.6 million) which would be equivalent to a positive tax rate of 21.3% (2013: 7.2%). The difference between the effective and normalised tax result is based mainly on the capitalization of tax loss carry forwards not previously capitalized in the amount of CHF 12.4 million (2013: CHF 14.7 million), the use of non-capitalized tax loss carry forwards CHF 3.0 million (2013: CHF 2.6 million), the re-assessment of capitalized tax loss carry forwards CHF –0.7 million (2013: CHF 0.0), and the non-capitalization of newly incurred loss carry forwards of CHF –2.2 million (2013: CHF –1.1 million). The balance results from temporary differences between tax and Swiss GAAP values of CHF 0.1 million (2013: CHF –1.0 million).

The Group owns a large amount of tax loss carry forwards. Of these, CHF 64.3 million (2013: CHF 38.6 million) were recognized as of December 31, 2014. Siegfried also has tax losses available which are not recognized in the amount of CHF 176.0 million (2013: CHF 234.4 million) of which approximatively 43% relate to non- operational entities where future usage will be difficult.

The following unrecognized tax losses are available to Siegfried:

In 1000 CHF	2014	2013
Expiry of unrecognized tax losses and tax credits		
Within one year	31 517	–
Between one and five years	52 430	53 888
More than five years	91 987	180 463
Total unrecognized tax losses and tax credits	**175 934**	**234 351**

7. Inventories

In 1000 CHF	2014	2013
Raw materials	31 816	36 227
Semi-finished goods	57 753	37 801
Finished goods and trading goods	33 534	25 094
Total inventories	**123 159**	**99 122**

The valuation allowances for inventory amount to CHF 13.9 million (2013: CHF 6.9 million) and are included in the figures above.

8. Trade receivables

In 1000 CHF	2014	2013
Trade receivables	68 819	62 018
Allowances for doubtful accounts	–13	–52
Total trade receivables	**68 806**	**61 966**

The allowances for doubtful accounts are calculated using the difference between the nominal amount of the receivables and the estimated net amount collectible. The net amount collectible is estimated on the basis of experience. Receivables more than 6 months overdue in the amount of CHF 0.04 million (2013: CHF 0.1 million) are included in the allowances. As in the previous year there were no receivable losses. In the reporting period CHF 0.1 million (2013: 0.1 million) impaired receivables were cleared.

9. Derivative financial instruments

The guidelines of Siegfried’s financial risk management are described in the accounting principles. Within the framework of these guidelines, Siegfried uses derivative financial instruments to hedge foreign exchange and interest rate risks. The contract value provides information about the volume of outstanding transactions. At the reporting date foreign exchange as well as interest hedging contracts were open. Foreign currency forward and interest rate contracts were used to hedge net payment flows in the financial year 2014, aggregating USD 33.2 million (2013: USD 16.3 million), EUR 4.6 million (2013: EUR 7.0 million) and RMB 304.8 million. For the period of the underlying loan taken up in relation to the acquisition of Alliance Medical Products Inc., the company entered into an interest and currency rate swap amounting to USD 55.2 million and EUR 45.0 million (2013: USD 71.6 million) with several banks in order to hedge the interest expense. The fair value of this foreign currency instrument is recorded in the financial result as well as in equity.

Derivative financial instruments

	Contract value		Positive fair value		Negative fair value	
In 1000 CHF	**2014**	2013	**2014**	2013	**2014**	2013
Foreign currency swaps	87 610	23 577	–	512	158	20
Interest rate swaps	108 730	63 609	–	–	195	238
Total	**196 340**	**87 186**	**–**	**512**	**353**	**258**

10. Treasury shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2014, the book value of the treasury shares was CHF 19.3 million (2013: CHF 33.4 million). The inventory of treasury shares was reduced significantly in 2014 as a result of the grant of 48 756 shares under the Equity Ownership Plan (EOP) and the partial payment of the purchase price for Hameln Pharma with 40 752 shares. The average transaction prices of the purchased and sold treasury shares are disclosed in the Notes of the Financial Statements of Siegfried Holding AG on page 156.

Treasury shares	December 31, 2013	Change	**December 31, 2014**
Total treasury shares	**262 249**	**–128 010**	**134 239**
Total Siegfried shares	**3 800 000**	**350 000**	**4 150 000**
Total outstanding shares	**3 537 751**	**478 010**	**4 015 761**

11. Share capital – conditional capital

In March 2014 in connection with the allocation of the Equity Ownership Plan shares the capital was increased out of conditional capital by 350 000 shares. This resulted in a share capital increase by CHF 0.7 million to CHF 8.3 million with a total of 4 150 000 shares each with a nominal value of CHF 2.

At the General Meeting held on March 26, 2014 the creation of new conditional capital of CHF 420 000 to create 210 000 shares to serve the Long Term Incentive Plan (LTIP) was approved. The remaining conditional capital from the mandatory convertible bond, which was fully converted in 2011, has been cancelled in accordance with the resolution of the General Meeting.

Conditional capital (number of shares)	December 31, 2013	Change	**December 31, 2014**
Excess from Mandatory Convertible Note (MCN)[1]	50 000	–50 000	–
Equity Ownership Plan (EOP)	350 000	–350 000	–
Long Term Incentive Plan (LTIP)	–	210 000	210 000
Total	**400 000**	**–190 000**	**210 000**

[1] No more needed for Mandatory Convertible Note due to complete conversion.

12. Financial liabilities

The credit line is made available by a bank syndicate with a volume of CHF 250 million (2013: CHF 250 Mio.) and a duration of five years (2014–2018). It is structured to meet the Group's current needs. A small part is foreseen for the financing of the ongoing business, the larger part is available on call for the implementation of the strategy Transform. The bank loans are set at variable interest rates. The financial covenants consist of a maximum net debt ratio defined as 2.5 times EBITDA before charges for share-based payments (resp. an elevated ratio of 3.0 during a coherent period of 18 months). The second financial covenant is defined as a minimum equity ratio of 50% (resp. 40% in case of the elimination of goodwill through equity). The Group fulfilled both financial covenants at year-end. As of December 31, 2014 USD 82.2 million and EUR 45.0 million (2013: USD 86.6 million) were drawn from the credit line.

13. Provisions

In 1000 CHF	Environmental provisions	Other provisions	Total
As of January 1, 2013	20 329	3 645	23 974
Costs incurred	–3 832	–1 628	–5 460
Additions, interest	667	4 563	5 230
Releases of unused provisions	–912	–700	–1 612
Currency translation	–28	–8	–36
As of December 31, 2013	**16 224**	**5 872**	**22 096**
Thereof current	6 037	5 372	11 409
Thereof non-current	10 187	500	10 687
As of January 1, 2014	16 224	5 872	22 096
Costs incurred	–2 986	–1 573	–4 559
Additions, interest	2 186	792	2 978
Releases of unused provisions	–807	–2 772	–3 579
Currency translation	79	5	84
As of December 31, 2014	**14 696**	**2 324**	**17 020**
Thereof current	6 123	1 824	7 947
Thereof non-current	8 573	500	9 073

Environmental provisions: The Siegfried Group produces chemicals at various locations. As part of the manufacturing process, undesirable incidents may arise that result in an obligation to remedy pollutant effects on the environment. Such obligations are recognized in the period when they become apparent. A provision is recorded if it is expected that the obligation results in an outflow of economic resources in the medium term and if a reasonable estimate of that obligation can be made. By their nature the amounts and timing of any out-flows are difficult to predict. In connection with planned construction projects, environmental investigations were performed. Possible remediation obligations of CHF 14.7 million have been provided for (2013: CHF 16.2 million). In the reporting period costs for remediation incurred to CHF 3.0 million (2013: 3.8 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 2% (2013: 4%) to the present value of the expected expenditures. The discount amounted to CHF 1.2 million (2013: CHF 0.2 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments.

Other provisions include costs directly related to the project "Forum" in the amount of CHF 1.0 million. In addition provisions had to be created in the amount of CHF 0.6 million for future costs to be incurred in connection with the sale of floors in a building to Arena. The balance covers other operating obligations. In the reporting year CHF 1.4 million was used in connection with extension and demolition work and CHF 0.2 million for legal cases.

14. Other non-current liabilities

Other long-term liabilities include the earn-out related to the acquisition of the Hameln companies on November 28, 2014. This may fall due in 2016 (see Note 21).

In the prior year there was a long-term liability in connection with an exchange of land for future reconstruction work in the fixed amount of CHF 1.8 million. This liability was reclassifed to current liabilites as the related tasks will be executed in the next 12 months.

15. Accruals

The accrued expenses and deferred income include accruals for personnel costs and social security charges as well as various expense and income accruals.

16. Other current liabilities

In March 2014 the earn-out in the amount of USD 14.4 million (CHF 12.8 million) was paid to the former owners of Alliance Medical Products Inc. The corresponding liability was released. Accordingly all the liabilities related to the acquisition of Alliance Medical Products Inc. have been settled.

17. Employee benefits and personnel expenses

In 1000 CHF	2014	2013
Wages and salaries	90 819	87 123
Share-based payments	1 683	11 943
Pension expense	6 248	6 452
Expenses for other long-term employee benefits	190	225
Social and other personnel expenses	14 410	17 409
Total personnel expenses	**113 350**	**123 152**

In the year under review, the average number of employees (in full-time positions) was 1374 (2013: 917). The increase is due to the acquisition of the Hameln companies as of November 28, 2014.

Pension liabilities and economic benefits are as follows:

	Excess/insufficient cover as per FER 26	Economic benefit/obligation for the company		Change vs. prior year or taken to the Income Statement in the FY	Contributions	Pension expenses in personnel expenses	
In 1000 CHF	31/12/2014	31/12/2014	31/12/2013	31/12/2014	2014	2014	2013
Pension schemes without excess/insufficient cover (CH)	29 573	–1	57	58	5 023	5 081	5 280
Pension costs (CH)	–252	–252	–436	–184	57	–127	34
Pension schemes without excess/insufficient cover (USA)	–450	–450	–392	58	1 236	1 294	1 138
Total	**28 871**	**–703**	**–771**	**–68**	**6 316**	**6 248**	**6 452**

	Nominal value	Waiver of usage	Other value adjustments		Balance Sheet asset	Result from ECR in personnel expenses	
In 1000 CHF	31/12/2014	31/12/2014	31/12/2014	31/12/2014	31/12/2013	2014	2013
Welfare funds (CH)	0	0	0	0	0	0	7 073
Pension schemes (CH)	8 726	0	0	8 726	8 466	–260	–8 466
Total [1]	**8 726**	**0**	**0**	**8 726**	**8 466**	**–260**	**–1 393**

[1] At September 30, 2013 the Welfare fund was merged into the pension fund.

18. Share-based payments

In March 2014 the shares were allocated under the Equity Ownership Plan. In total 398 756 shares were allocated, 350 000 shares were created out of conditional capital and 48 756 out of treasury shares.

In 2014 Siegfried introduced a Long Term Incentive Plan (LTIP) for members of management. The plan participants receive at the beginning of a three-year vesting period a defined number of Performance Share Units (PSU). At the end of the three-year vesting period the plan participants are allocated, depending on the extent to which they have attained the targets, a certain number of shares per PSU acquired. Between 0 and 2 shares can be allocated per PSU. The plan defines a target amount for the growth in Total Shareholder Return (compound annual growth rate CAGR on total shareholder return (TSR weighting 70%) and two operating targets (EBITDA and ROCE weighting each 15%). After allocation, the shares are at the free disposal of the plan participants and are not subject to a restriction period.

The valuation of the PSU and Siegfried's related expense is undertaken at the beginning of the relevant vesting period by an external company, which is specialised in the valuation of option and equity plans. In 2014 for the LTIP an expense of CHF 1.4 million was recognized, 25 251 PSUs with a fair value of CHF 162.99 per PSU.

In addition to the Long Term Incentive Plan (LTIP) there exists an equity plan for employees (Employee Share Purchase Plan – ESPP). The total expense for the ESPP amounted in the reporting year to CHF 0.3 million (2013: CHF 0.1 million). In the reporting year 2883 (2013: 2109) shares were acquired under the plan. The funds saved in the ESPP by the plan participants at December 31, 2014 entitle them to acquire 544 shares (2013: 183 shares).

19. Other operating income

Other operating income includes CHF 0.5 million royalty revenues and sales of precious metals (2013: CHF 0.2 million), CHF 0.4 million for environmental damage compensation (2013: CHF 0.3 million), CHF 7.1 million gains on sales of fixed assets (2013: CHF 2.8 million), CHF 1.0 million costs for environmental remediation and site clean-up (2013: CHF 0.0 million) and various other income aggregating CHF 1.0 million (2013: CHF 0.9 million). On the payment of the earn-out due in 2014 for the company, Alliance Medical Products Inc. (AMP), acquired in 2012, the accrual of USD 5.0 million (CHF 4.6 million) was released to income over operating income in 2013.

20. Financial result

The financial result comprises of CHF 3.3 million (2013: CHF 3.1 million) financial expenses, of which CHF 2.2 million (2013: CHF 2.8 million) for debt interest and fees, CHF 1.1 million for the compounding of the enviromental provision, financial income of CHF 0.2 million (2013: CHF 11.8 million of which CHF 11.3 million from the sale of the shares in SCI Pharmtech Inc. in Taoyuan, Taiwan), and CHF 0.9 million (2013: CHF 0.7 million) from exchange differences.

21. Acquisitions

At the end of November 2014 Siegfried acquired Hameln Pharmaceuticals GmbH, Hameln RDS GmbH and Hameln Real Estate KG, in Hameln, Germany. The Hameln Group is specialized in the development and finishing of sterile liquid dosage forms for the pharmaceutical industry and is therefore a valuable complement to the Siegfried Group's existing product range. The provisional purchase price of CHF 52.3 million was paid CHF 46.3 million in cash and CHF 6.0 million in Siegfried shares, of which CHF 33.1 million was used to repay loans. If specific defined financial targets are met by the end of the financial year 2015, in 2016 an earn-out will become due in addition. The amount of the earn-out is graduated according to the extent to which the target is reached. The extent to which the target will be reached and the amount of the related earn-out has been estimated by the Management based on the business plans at CHF 13.0 million and recognized as an other non-current liability. The goodwill resulting from the transaction of CHF 30.5 million, which also contains transaction costs in the amount of CHF 3.4 million, was set off against equity. As the transaction occurred only one month before the year-end, the allocation of the purchase price may change in 2015. At the date of the takeover the Hameln companies carried the following major consolidated balance sheet items (Fair Values):

In 1000 CHF	**November 30, 2014**
Cash	1 557
Inventories	12 925
Other current assets	8 338
Non-current assets	29 057
Total assets	**51 877**
Current liabilities	43 702
Non-current liabilities	1 594
Equity	6 581
Total liabilities and equity	**51 877**

22. Earnings per share

For the calculation of earnings per share, the number of shares has been reduced by the weighted average shares held by the Group.

	2014	2013
Net profit attributable to Siegfried shareholders (in 1000 CHF)	38 556	53 851
Weighted average number of shares outstanding	3 868 382	3 572 407
Undiluted earnings per share	**9.97**	**15.07**
Net profit attributable to Siegfried shareholders (in 1000 CHF)	38 556	53 851
Weighted average number of shares outstanding	3 868 382	3 572 407
Adjustment for assumed exercise of share-based payments, where dilutive	18 200	350 000
Diluted earnings per share	**9.92**	**13.73**

23. Distribution per share

For the financial year 2014 the Board of Directors proposes the distribution of CHF 1.50 per share from the capital contribution reserves (2013: CHF 1.50 per share). If this is approved by the Annual General Meeting on April 14, 2015, it will result in a total payment of CHF 6.0 million to the shareholders. The number of shares entitled for distribution may change by the time of the Annual General Meeting on April 14, 2015.

24. Commitments and contingencies

The operations of the Group companies continue to be exposed to risks from political, legal, fiscal and regulatory developments, including those related to environmental protection. The nature and frequency of these developments and events, which are not covered by any insurance, are not predictable. Possible obligations that are dependent on future events are disclosed as contingent liabilities. Refer to note 2 regarding the contingency related to the "Forum-Sale" in 2013. As of December 31, 2013, further contingent liabilities amounted to CHF 0.9 million. On December 31, 2014, Siegfried Holding AG gave guarantees to banks in the amount of CHF 5.0 million, USD 4.0 million and EUR 1.5 million (2012: USD 4.0 million) to serve as securities for leasing transactions.

25. Maturity of rental and lease liabilities

	Operating leases	Operating leases
In 1000 CHF	2014	2013
Due under 1 year	4 655	1 653
Due between 1 and 2 years	4 407	1 967
Due between 2 and 3 years	4 128	2 088
Due between 3 and 4 years	3 615	2 087
Due between 4 and 5 years	3 123	2 118
Due after 5 years	14 058	14 448
Total lease liabilities	**33 986**	**24 361**

Of these liabilities CHF 17.2 million relate to the new administration bulding in Zofingen, CHF 2.2 million (2013: CHF 0.3 million) to the production facility in Malta, CHF 7.2 million to the production facility in Hameln and CHF 5.6 million (2013: CHF 5.7 million) to the production site in Irvine, California.

26. Transactions with related parties

The companies owned by Siegfried are listed in Note 1 "Scope of consolidation". In 2014 no transaction between related patries took place (2013: CHF 0.4 million). All transactions between fully consolidated companies have been eliminated in the consolidation process and are not disclosed in this note.

The remuneration of the members of the Board of Directors and Executive Management is described and presented in detail in the Remuneration Report in sections 4 and 5.

27. Segment information

The Siegfried Group consists of one segment. The decision makers measure the performance of the Group using fully consolidated results of the reportable Segment Siegfried Group.

Net sales to third parties

In CHF million	2014	2013
Sales of products	307.4	366.6
Services	7.9	8.3
Total net sales	**315.3**	**374.9**

Net sales by product group

In CHF million	2014	2013
Drug Substances	234.5	274.1
Drug Products	80.8	100.8
Total	**315.3**	**374.9**

Geographic information[1]

The most important markets are Western Europe and the USA.

In CHF million	2014	2013
USA	138.6	126.1
Switzerland	48.0	94.9
Other regions	128.7	153.9
Total	**315.3**	**374.9**

[1] by location of customers

28. Events after the reporting period

There are no significant events after the balance sheet date.

Report of the statutory auditor

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of Siegfried Holding AG, Zofingen

As statutory auditor, we have audited the consolidated financial statements of Siegfried Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 117 to 147), for the year ended December 31, 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gerd Tritschler Audit expert Auditor in charge	Wouter van Brandwijk Audit expert

Basel, March 2, 2015

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Financial Statements Siegfried Holding AG

Contents

Balance sheet of Siegfried Holding AG

In CHF (as of December 31)	2014	2013
Assets		
Current assets		
Cash and cash equivalents	17 218 437	32 444 262
Other current receivables due from third parties	5 641	3 279
Other current receivables due from group companies	2 188 378	200 435
Accrued income and prepaid expenses	1 034 949	1 363 970
Total current assets	**20 447 405**	**34 011 947**
Non-current assets		
Loans to group companies	344 128 203	256 925 901
Investments	165 553 976	165 553 976
Property, plant and equipment	854	1 216
Intangible assets	2 574	4 289
Total non-current assets	**509 685 607**	**422 485 382**
Total assets	**530 133 012**	**456 497 329**

In CHF	2014	2013
Liabilities and shareholders' equity		
Current liabilities		
Short-term interest-bearing liabilities thrid parites	11 864 000	7 996 000
Short-term liabilities due from group companies	19 955 735	23 833 843
Other short-term liabilities due from third parties	393 057	207 242
Accrued expenses and deferred income	4 265 647	8 641 520
Total short-term liabilities	**36 478 439**	**40 678 606**
Non-current liabilities		
Long-term interest-bearing liabilities third parties	38 559 700	31 982 000
Total long-term liabilities	**38 559 700**	**31 982 000**
Total liabilities	**75 038 139**	**72 660 606**
Shareholders' equity		
Share capital	8 300 000	7 600 000
Legal reserves	2 800 000	2 800 000
Reserves from capital contribution	110 252 410	66 178 577
Free reserves	340 584 544	268 327 180
Teasury Shares	–19 214 596	–33 326 397
Statutory retained earnings	12 372 514	72 257 362
Total shareholders' equity	**455 094 872**	**383 836 723**
Total liabilities and shareholders' equity	**530 133 012**	**456 497 329**

Income Statement of Siegfried Holding AG

In CHF	2014	2013
Income		
Financial income	14 845 099	19 317 786
Service income	8 385 709	9 580 406
Non-recurring income	3 708 812	–
Total income	**26 939 620**	**28 898 192**
Expenses		
Personnel expense	1 276 561	7 602 567
Administrative expense	2 192 780	2 073 669
Financial expenses	11 029 788	3 850 727
Taxes	65 900	66 066
Depreciation of non-current assets	2 077	3 393
Total expenses	**14 567 106**	**13 596 424**
Net profit	**12 372 514**	**15 301 769**

Notes to the Financial Statements of Siegfried Holding AG

General information

Siegfried Holding AG holds directly or indirectly all subsidiaries of the Siegfried Group. The Financial Statements of Siegfried Holding AG are prepared in accordance with Swiss Code of Obligations. The federal council has put into effect the new accounting law as of January 1, 2013. For the application there is a transitional period of two years. These financial statements have been drawn up in accordance with the provisions governing commercial accounting of the Swiss Code of Obligations (Art. 957–963b OR, applicable from 1 January 2013). The corresponding comparative amounts for the prior year have been adjusted and comply with the requirements of the new accounting law.

The number of Full Time Equivalent employees is not on average above 10.

Guarantees and securities
The guarantees and securities amount to CHF 275.0 million (2013: CHF 275 million) at year-end. To secure the syndicated loan Siegfried Holding AG has assigned receivables from subsidiaries in favor of the lending banks. At December 31, 2014, Siegfried Group used the credit line in the amount of USD 82.2 million and EUR 45.0 million (2013: USD 86.6 million). At December 31, 2014, there were guarantees from Siegfried Holding AG to the banks in the amount of USD 4.0 million, CHF 5.0 million and EUR 1.5 million (2013: USD 4.0 million) to secure lease transactions of subsidiaries.

Balance Sheet

Investments

As of December 31, 2014, Siegfried Holding AG holds the following investments:

Group companies	in LC	Participation	Share capital 2014	Share capital 2013
Operating				
Siegfried AG, Zofingen (Switzerland)	CHF	100.00%	20 000 000	20 000 000
Siegfried (USA), LLC, Pennsville, NJ (USA)	USD	100.00%	500 000	500 000
Penick Corp., Pennsville, NJ (USA)	USD	100.00%	–	–
Siegfried International AG, Zofingen (Switzerland)	CHF	100.00%	2 000 000	2 000 000
Siegfried Malta Ltd., Valletta (Malta)	EUR	100.00%	100 000	100 000
Siegfried GmbH, Munich (Germany)	EUR	100.00%	25 000	25 000
Siegfried Hong Kong Ltd., Hong Kong (China)	HKD	100.00%	1 000	1 000
Alliance Medical Products Inc., Irvine, CA (USA)	USD	100.00%	116 521	116 521
Siegfried (Nantong) Pharmaceuticals Co. Ltd. (China)	CNY	100.00%	346 925 622	174 973 294
Hameln Pharmaceuticals GmbH, Hameln (Germany)	EUR	100.00%	750 000	–
Hameln RDS GmbH, Hameln (Germany)	EUR	100.00%	30 000	–
Finance and administration				
Siegfried Finance AG, Zofingen (Switzerland)	CHF	100.00%	14 000 000	14 000 000
Siegfried Deutschland Holding GmbH, Lörrach (Germany)	EUR	100.00%	1 790 000	1 790 000
Siegfried USA Holding Inc., Pennsville, NJ (USA)	USD	100.00%	3 000	3 000
Siegfried Deutschland Real Estate GmbH, Lörrach (Germany)	EUR	100.00%	25 000	–
Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	EUR	100.00%	25 000	–
Joint venture				
Alpine Dragon Pharmaceuticals Ltd., Huangyang, Gansu Province (China)	CNY	49.00%	10 542 708	10 542 708

Non-current assets

Investments in subsidiaries and affiliates include those companies in which Siegfried Holding AG has an interest of more than 20%. The investments are valued at acquisition cost less valuation allowances. The long-term loans to affiliates are used for the financing of capital expenditures and other operational activities. The loans increased in 2014 by CHF 87.2 million due to high acquisition – and investment activities. The intangible assets include capitalized software.

Current assets

Liquid funds are valued at the rate prevailing on the reporting date. Accrued income and prepaid expenses are recognized at nominal amount and include for the most part payments made for the following year and accruals of receipts, which will not be collected until the following year, and include mostly accruals for trademark royalties

Shareholders' equity

The share capital increased as a result of the allocation of shares under the Equity Ownership Plan (EOP) from CHF 7.6 million to CHF 8.3 million. It is divided into 4 150 000 registered shares, with a nominal value of CHF 2 each. The Legal reserves are unchanged and amount to CHF 2.8 million In addition there is a Reserve from Capital contribution of CHF 110.3 million (2013: CHF 66.2 million). With the application of the new accounting law, the inventory of treasure shares has been reclassified from Securities to Equity as a negative balance. The related Reserves for treasury shares have been allocated to the Free reserves.

Conditional capital

At the General Meeting held on March 26, 2014 the creation of new conditional capital of CHF 420 000 to create 210 000 shares to serve the Long Term Incentive Plan (LTIP) was approved. The remaining conditional capital from the mandatory convertible bond, which was fully converted in 2011, has been cancelled in accordance with the resolution of the General Meeting.

Treasury shares

In the reporting year Siegfried Holding AG and a subsidiary company have made various purchases and sales of Siegfried shares. On balance, the inventory fell by 127 010 shares. The inventory of treasury shares was reduced significantly in 2014 as a result of the grant of 48 756 shares under the Equity Ownership Plan (EOP) and the partial payment of the purchase price for Hameln Pharma with 40 752 shares. The shares are valued at the average rate.

CHF	Number of shares	Average prices
At January 1, 2013	**198 370**	**103.0**
Purchases Jan.–Dec. 2013	251 554	136.0
Sales Jan.–Dec. 2013	–187 675	132.6
At December 31, 2013	**262 249**	**127.4**
Purchases Jan.–Dec. 2014	145 185	156.5
Sales Jan.–Dec. 2014	–273 195	151.3
At December 31, 2014	**134 239**	**143.3**

Liabilities

The credit line is made available by a bank syndicate with a volume of CHF 250 million and a duration of five years (2014-2018). As of December 31, 2014 CHF 135.4 million were drawn from the credit line from the whole Group, divided in USD 82.2 million and EUR 45.0 (2013: CHF 76.9 million resp. USD 86.6 million. The portion of Siegfried Holding AG amounted to CHF 50.4 million resp. USD 51.0 million (2013: CHF 40.0 million resp. USD 45.0 million).

Accrued expenses and deferred income include the deferrals and accruals of various income and expense items mainyl unrealized exchange proftis.

Income statement

In the reporting year and in the prior year no dividend distributions were received from subsidiary companies. Financial income includes interest income on receivables from group companies, exchange gains and income from securities. The proceeds of charging internal services to group companies are reported in service income. Based on new estimates, valuation adjustments on loans to group companies in the amount of CHF 3.7 million (2013: CHF 0.0 million) have been released and reported under non-recurring income.

Financial expense includes interest on loans from third parties and group companies as well as exchange losses.

Loans and share ownership of the Board of Directors and the Executive Management

Loans to members of executive bodies
The members of the Board of Directors or of the Executive Management and persons closely related to them are, or were, in the current or preceding financial year not involved in transactions beyond the normal business activity of Siegfried Holding AG or of one of its group companies or in other transactions that in form or substance were unusual, but important for Siegfried Holding AG.

At December 31, 2014, Siegfried Holding AG and its group companies have not granted any securities, loans, advances or credits to the members of the Board of Directors or the Executive Management or to persons closely related to them.

Share ownership of the Board of Directors and the Executive Management
In 2014, 29 409 shares with a value of CHF 3.0 million were distributed to the members of the Board of Directors. On December 31, 2014, the non-executive members of the Board of Directors and persons closely related to them owned 45 309 (2013: 29 550) registered shares of Siegfried Holding AG. This represents 1.1% (2013: 0.8%) of the entire share capital of Siegfried Holding AG. The members of the Executive Management (including persons closely related to them) owned at the same date 209 869 (2013: 63 012) registered shares, i.e. 5.1% (2013: 1.7%) of the share capital of Siegfried Holding AG.

December 31, 2014

Board of Directors	Function	Number of shares	of which blocked
Dr. Andreas Casutt	Chairman	15 500	12 450
Dr. Felix K. Meyer	Deputy Chairman	10 040	10 040
Reto Garzetti	Member	13 034	13 034
Colin Bond	Member	1 000	1 000
Dr. Thomas Villiger	Member	5 235	5 235
Wolfram Carius	Member	500	500
Executive Management			
Dr. Rudolf Hanko	CEO	70 745	60 427
Michael Hüsler	CFO	30 002	30 002
Dr. René Imwinkelried	Head Research & Development	11 047	9 447
Dr. Walter Kittl	Head Technical Operations	24 054	23 951
Arnoud Middel	Head Human Resources	12 625	12 625
Marianne Späne	Head Business Development & Sales	34 680	32 799
Dr. Wolfgang Wienand	Head Strategy & M&A	26 716	24 816

December 31, 2013

Board of Directors	Function	Number of shares	of which blocked
Gilbert Achermann	Chairman	8 950	8 950
Dr. Andreas Casutt	Deputy Chairman	6 150	6 150
Colin Bond	Member	500	500
Reto Garzetti	Member	5 650	5 650
Dr. Felix K. Meyer	Member	5 400	5 400
Dr. Thomas Villiger	Member	2 900	2 900
Executive Management			
Dr. Rudolf Hanko	CEO	23 505	19 119
Michael Hüsler	CFO	6 908	6 908
Peter A. Gehler	Head Corporate Center	5 891	5 891
Dr. René Imwinkelried	Head Research & Development	4 578	2 978
Dr. Walter Kittl	Head Technical Operations	5 497	5 354
Arnoud Middel	Head Human Resources	2 820	2 820
Marianne Späne	Head Business Development & Sales	8 256	7 332
Dr. Wolfgang Wienand	Head Strategy & M&A	5 557	5 557

Major shareholders

Shareholders representing more than 3.0% relating to the number of Siegfried shares at year end of 4 150 000 (2013: 3 800 000):

- According to its own statement, Tweedy, Browne Company LLC, New York, USA, holds an interest of 9.0% of the shares of Siegfried Holding AG (2013: 9.9%).
- Rainer-Marc Frey holds 8.7% (2013: 9.5%) of the shares in Siegfried Holding AG.
- According to their own statement, the Kreissparkasse Biberach, Biberach, Germany (Bayerninvest Kapitalgesellschaft mbH, München and LBBW Asset Management Investment GmbH, Stuttgart) holds 3.3% (2013: 3.6%) of the shares in Siegfried Holding AG.
- EOP Participants (blocked until 2015) 4.8% (2013: 0.0%)
- EOP Participants (blocked until 2016) 4.8% (2013: 0.0%)

Events after the reporting period

There are no significant events after the balance sheet date.

Proposal of the Board of Directors to the Annual General Meeting of April 14, 2015 regarding appropriation of the retained earnings and the distribution from reserves from capital contribution

In CHF	2014
Profit for the year	12 372 514
Balance brought forward	–
Statutory retained earnings	12 372 514
Appropriation of retained earnings to free reserves	12 372 514
Balance to be carried forward	**–**
Reserves from capital contribution as of December 31, 2013	66 178 577
Payout for 2013	–5 924 652
Addition from capital increase	49 998 485
Total Reserves from capital contribution as of December 31, 2014	110 252 410
Distribution of CHF 1.50 per registered share on 3 988 989 distribution entitled shares	–5 983 484
Reserves from captial contribution carried forward	**104 268 927**

The total amount of distribution mentioned in the proposal of the Board of Directors has been calculated on the basis of number of shares entitled for distribution on the day of the approval of the Board of Directors meeting. The number of shares entitled for distribution can still change up to the Annual General Meeting on April 14, 2015.

Report of the statutory auditor

Report of the statutory auditor on the financial statements

To the General Meeting
of Siegfried Holding AG,
Zofingen

As statutory auditor, we have audited the financial statements of Siegfried Holding AG, which comprise the balance sheet, income statement and notes (pages 152 to 159), for the year ended 31 December 2014.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and capital contribution reserves comply with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Gerd Tritschler Audit expert Auditor in charge	Wouter van Brandwijk Audit expert

Basel, March 2, 2015

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Key figures overview 2010–2014, consolidated figures[1]

		2014	2013	2012	2011	2010
Net sales	CHF million	315.3	374.9	367.8	328.1	314.4
Growth	in %	–15.9	2.0	12.1	4.4	11.1
EBITDA	CHF million	58.8	65.6	45.4	36.5	28.1
Growth	in %	–10.4	44.7	24.1	30.1	11.1
EBITDA margin	in %	18.6	17.5	12.3	11.1	8.9
Operating profit (EBIT)	CHF million	34.0	40.8	17.9	12.5	–4.4
Growth	in %	–16.7	127.9	43.5	n/a	n/a
Operating margin	in %	10.8	10.9	4.9	3.8	n/a
Net profit (loss)	CHF million	38.6	53.9	20.9	9.7	–14.0
Net profit/-margin	in %	12.2	14.4	5.7	3.0	n/a
Net cash/(net debt)	CHF million	–85.2	50.4	25.8	52.6	41.2
Net Working Capital[2]	CHF million	148.0	130.1	137.0	122.2	104.7
As % of net sales		46.9	34.7	37.3	37.2	33.3
Total assets	CHF million	629.6	537.8	477.4	430.6	464.1
Equity	CHF million	382.8	362.4	316.3	353.5	373.7
Equity ratio	in %	60.8	67.4	66.3	82.1	80.5
Market capitalization[3]		650.0	572.0	435.0	329.0	344.0
Average capital employed[4]	CHF million	384.7	331.5	327.8	301.4	384.0
Return on capital employed (average) ROCE[5]	in %	15.3	19.8	13.8	12.1	7.3
Cash flow from operating activities	CHF million	24.6	67.5	54.3	29.4	57.7
As % of net sales		7.8	18.0	14.8	8.9	18.4
Free cash flow	CHF million	–57.3	23.5	38.4	27.7	44.7
As % of net sales		–18.2	6.3	10.5	8.4	14.2
Investments in PPE and intangible assets	CHF million	82.0	51.9	22.8	13.5	13.0
As % of net sales		26.0	13.8	6.2	4.1	4.1
Depreciation and amortization/impairment	CHF million	24.8	24.8	27.4	24.1	32.5
As % of net sales		7.9	6.6	7.5	7.3	10.3
Employees (number of FTEs)[6]	Number	1 374	917	832	715.0	696
Change vs. previous year	%	49.8	10.2	16.4	2.7	–15.4
Sales per employee	CHF	229 463	408 877	442 012	458 874	451 700
Change vs. previous year	%	–23.5	–7.5	–3.7	1.6	31.4

1 2009/2010 IFRS, from 2011 Swiss GAAP FER
2 Calculation of net working capital: Trade Receivables + Inventories – Trade Payables
3 Calculated on the weighted average number of shares outstanding, deducting treasury shares
4 Calculation of capital employed: PPE + Intangible Assets + Net Working Capital
5 Calculation ROCE: EBITDA in relation to average capital employed over 12 months.
6 Year-end figures

Stock market data

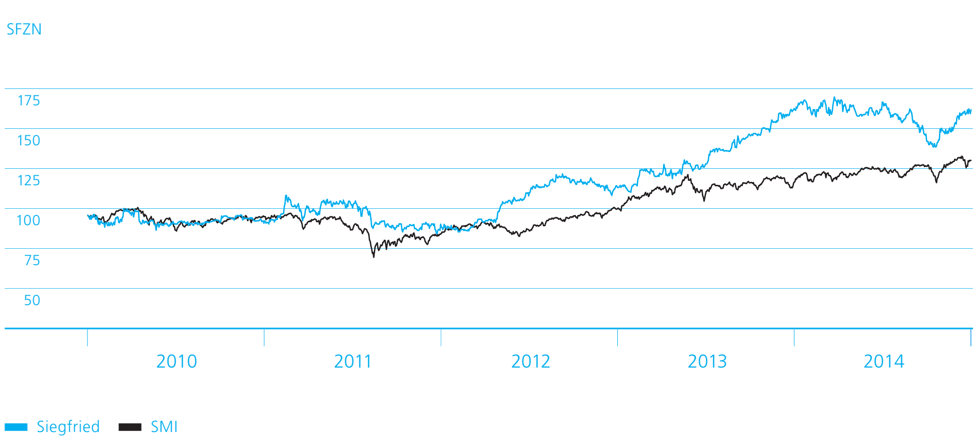
			2014	2013	2012	2011	2010
Registered shares nom. CHF 2			4 150 000	3 800 000	3 800 000	3 800 000	2 929 410
Share capital		CHF million	8.3	7.6	7.6	7.6	5.9
Gross dividend per registered share[1]		CHF	1.50	1.50	1.20	1.00	0
Total dividend paid		CHF	6 225 000	5 700 000	4 560 000	3 800 000	–
Market prices registered share	high	CHF	171.0	163.5	122.0	110.0	102.0
	low	CHF	139.0	109.3	83.7	80.0	86.1
Year-end		CHF	162.0	161.6	114.3	89.8	90.5
Dividend yield per registered share[2]		%	0.9	0.9	1.0	1.3	0
Earnings per share – EPS[3]		CHF	9.97	15.07	5.76	2.61	–1.25
Earnings per share – EPS – diluted[4]			9.92	13.73	5.55	2.55	–1.25
Consolidated operating cash flow per registered share[3]		CHF	8.6	19.0	15.0	8.0	16.5
Consolidated equity and reserves per registered share[3]		CHF	99.0	101.5	87.3	96.3	110.6
P/E ratio (year-end)[2]			16	12	21	35	n/a
Market capitalization at year-end[3]		CHF million	650	572	435	329	344

[1] For 2014 proposal to the General Meeting
[2] Calculated on the basis of year-end share price
[3] Calculated on the weighted average number of shares outstanding, deducting treasury shares
[4] Adjustment for assumed exercise of share-based payments, where dilutive

Siegfried shares are traded on the SIX Swiss stock exchange:

Valor		1 428 449
ISIN		CH 0014 284 498
Stock symbols	Reuters Telekurs	SFFZn SFZN

Share price development from January 1, 2010 to December 31, 2014



Shareholder Base

As of December 31, 2014, 2 630 shareholders were registered in the Siegfried Holding AG share registry, holding 75.99% of the total share capital. The share holdings include:

Distribution of shares as of December 31, 2014	No. of shareholders	No. of shares per category	%
1–10	257	1 577	0.04
11–100	1 121	63 809	1.54
101–1 000	1 006	327 837	7.90
1 001–10 000	196	643 963	15.52
10 001–100 000	45	1 033 178	24.90
100 001–1 000 000	5[1]	1 083 220	26.10
	2 630	3 153 584	75.99
Own shares and non-registered shares	n. a.	996 416	24.01
Total shares		**4 150 000**	**100.00**

Shareholdings by segment as of December 31, 2014, was as follows:

Holdings by segment as of December 31, 2014	No. of shareholders	No. of shares per category	%
Key shareholders (>3%)	3[2]	871 376	21.00
Individuals	2 396	1 191 820	28.72
Institutional investors	232	1 090 388	26.27
Own shares and non-registered shares	n. a.	996 416	24.01
Total shares	n. a.	**4 150 000**	**100.00**

[1] Including one custodian holding over 3% of the share capital for the account of third parties that has been registered as nominee.
[2] Without EOP participants and own shares.

Publications

The Siegfried Group is committed to an open and consistent information policy. The media, financial analysts and other interest groups are continuously informed about important developments and events.

Shareholders are informed semi-annually on the state of the business and receive the annual report and the semi-annual report upon request. The annual report, minutes of the previous General Meeting, media releases, important information and the current share price can be found at www.siegfried.ch. A news conference is held annually for the media and financial analysts.

Siegfried Holding strictly observes the mandatory disclosure policies of the SIX Swiss Exchange (ad hoc notification) regarding events that could affect the stock price.

Calendar

In 2015, the company will inform about the course of business as follows:

March 5, 2015:
Publication of results for the 2014 business year at a media and analyst conference in Zurich

April 14, 2015:
Annual General Meeting of Shareholders

August 27, 2015:
Publication of 2015 half-year financial results

Cautionary statement regarding forward-looking statements

This Annual Report contains certain forward-looking statements identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forwardlooking statements contained in this Annual Report, among others: (1) pricing and product initiatives of competitors; (2) legislative and regulatory developments and economic conditions; (3) delay or inability in obtaining regulatory approvals or bringing products to market; (4) fluctuations in currency exchange rates and general financial market conditions; (5) uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of clinical trials or research projects, unexpected side-effects of pipeline or marketed products; (6) increased government pricing pressures; (7) interruptions in production; (8) loss of or inability to obtain adequate protection for intellectual property rights; (9) litigation; (10) loss of key executives or other employees; and (11) adverse publicity and news coverage.

The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Siegfried's earnings or earnings per share for 2015 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.