

Siegfried – when substance matters
Semi-annual report 2009



Key figures

	1 st Half-Year 2009	1 st Half-Year 2008	Difference
Net sales (million CHF)	121.0	159.6	-24.2%
Net loss/profit (million CHF)	-6.0	21.9	n.a
Gross profit (million CHF)	25.6	49.3	-48.0%
Operating result before restructuring (million CHF)	-1.5	28.5	n.a
<i>Operating margin before restructuring (%)</i>	-1.2%	17.9%	
Operating result (EBIT) (million CHF)	-4.2	28.5	n.a
<i>Operating margin (%)</i>	-3.4%	17.9%	
Cash flow from operating activities (million CHF)	16.4	15.3	6.8%
EBITDA before restructuring (million CHF)	13.2	46.3	-71.5%
<i>EBITDA margin before restructuring (%)</i>	10.9%	29.0%	
EBITDA (million CHF)	10.6	46.3	-77.2%
<i>EBITDA margin (%)</i>	8.7%	29.0%	
Capital expenditure (million CHF)	7.8	18.2	-57.0%
Personnel expenses (million CHF)	50.4	51.5	-2.1%
Employees (number) ¹	825	830	-0.6%
	June 30, 2009	December 31, 2008	Difference
Shareholder's equity (million CHF)	343.9	352.1	-2.3%
Total assets (million CHF)	530.5	534.8	-0.8%
<i>Equity as a % of total assets</i>	64.8%	65.8%	
Development of base business ²	1 st Half-Year 2009	1 st Half-Year 2008	Difference
Net sales (million CHF)	121.0	146.1	-17.2%
Operating result before restructuring (million CHF)	5.1	8.0	-36.0%
<i>Operating margin before restructuring (%)</i>	4.2%	5.5%	
EBITDA before restructuring (million CHF)	19.1	25.4	-24.7%
<i>EBITDA margin before restructuring (%)</i>	15.8%	17.4%	

¹ at Balance Sheet date

² Development of base business excluding expenses related to the build up of inhalation technology. Prior year additionally excluding gain from sale of fixed assets (Arena) and nonrecurring licensing fees.

Siegfried

Recession affects first six months – improved outlook for core business

For the first half of 2009 the Siegfried Group (SIX: SFZN) achieved sales of CHF 121 million, a 24.2% decline from the previous year. Revenues for the Siegfried Actives Division, a supplier of active pharmaceutical ingredients and intermediates, reached CHF 90.8 million in difficult market conditions; this was CHF 4.3 million (4.6%) less than in the previous year. Siegfried Generics Division sales fell by half to CHF 30.3 million. Overall, the Siegfried Group recorded a net loss of CHF 6.0 million for the first half of 2009. The EBITDA of CHF 13.2 million (excl. restructuring costs) corresponds to a margin of 10.9%.

EBITDA includes investments of CHF 5.9 million in the development of a new inhalation technology, which was booked against earnings.

Various one-time effects marked the first half of 2008 (sale of the pharmaceutical production facility in Zofingen and licensing income from a previous bio-generics project); this makes a comparison with 2008 difficult.



Siegfried Actives: Slightly improved profitability

Despite the demanding economic situation in the market for active pharmaceutical ingredients (API) the Siegfried Actives Division achieved sales of CHF 90.8 million during the first half of 2009, only slightly below last year's results (2008: CHF 95.1 million).

Siegfried Actives made initial improvements in profitability; while EBITDA declined slightly from CHF 17.5 million in 2008 to CHF 16.4 million for 2009, the operative results (EBIT) improved from CHF 1.7 million in 2008 to CHF 3.4 million in the current year.

This improvement is also a result of our ongoing "Deliver" restructuring program that looks to increase the efficiency of internal processes and identify Group-wide savings potentials. "Deliver" is set to be completed by November 2009 and will help significantly improve operative results by delivering sustainable annual savings of CHF 20 million.

The Division's order situation will enable higher revenues for the rest of the year, even though two clients still await authorization from the FDA (U.S. regulatory agency) for their new products. The Division acquired five new development projects and also won a contract for an intermediate product that went directly into production.

The new Zofingen lab building that centralizes all analytical activities at the site is now open. The lab, representing a CHF 17 million investment, will bring our clients noticeable benefits. The simplified processes – and the resulting reductions in costs and accelerated project times – will commence already by September 2009.

Generics sales under pressure

In addition to the economic situation, the Siegfried Generics Division also felt the effects of changes in the German market. The first half of the year was characterized by widespread reluctance in the market and a significant reduction of inventories; downward pressure on prices increased further. These developments led to a 50% drop in sales during the first six months of 2009 – to CHF 30.3 million. The results for 2008 (CHF 64.6 million) also included a one-time income of CHF 13 million for licensing fees.

EBITDA was CHF minus 1.1 million, including inhalation technology investments. Without these investments, which were charged against earnings, the Division achieved an EBITDA of CHF 4.7 million and a 15.7% EBITDA margin. Results for the previous year comprise various special effects of about CHF 27 million. When adjusted for these factors, EBITDA margin shrank by approximately 5 percentage points.

A revised strategy is being immediately implemented at Siegfried Generics. The current focus is on new products based on more complex technologies. To reduce our risk profile, product development is being carried out together with specialized companies. Siegfried contributes vast formulation experience and the corresponding compliance capabilities to these partnerships, as well as long-term client contacts.

Development of the new 'PulmoJet' inhalation device (where all relevant patents are owned by Siegfried) is progressing well. As previously noted, Siegfried is actively looking for a partner for this project as well.

Operative cash flow is positive

During the first six months of 2009, the Siegfried Group achieved an operative cash flow of CHF 16.4 million, an improvement of CHF 1.0 million. This improvement is mainly due to a noteworthy reduction of net working capital of CHF 8.3 million. When adjusted for the special effects noted for the first half of 2008, operative cash flow actually improved by CHF 10 million in 2009. These numbers confirm the successful efforts in the management of net working capital. Capital expenditure was reduced from CHF 18.2 million in 2008 to CHF 7.8 million for the current year.

Implementing the strategy

Over the past months, the Board of Directors and Group Management – with two new key members – have reviewed and further strengthened the corporate strategy. Our core market is the synthesis of active pharmaceutical ingredients API and intermediates, where Siegfried meets all technological requirements and has the corresponding customer and vendor relationships. During the coming years, Siegfried intends to strengthen its competency in finished formulations and increasingly offer this service to API customers.

Dr. Rudolf Hanko, Siegfried CEO, adds: “Siegfried possesses the personnel and the technology know-how needed for success. It’s key that we clearly articulate our long-term strategy to the market, which includes our focus on active pharmaceutical ingredients as our core business, complemented by our high level of competence in finished formulation. This is a unique combination in our markets and opens new market opportunities – especially for technically demanding active pharmaceutical ingredients and finished dosage forms. However, faced with a volatile economy and demanding market conditions, it is mandatory that Siegfried maintains a clear focus on cost and cash management.”



Outlook

The Board of Directors and Group Management expect improved revenues for the second half of the current year. Siegfried Actives will achieve higher sales and Siegfried Generics will be able to maintain current sales levels. This positive trend is expected to continue through 2010. Operative results for the second half of 2009 will be affected by restructuring costs and slightly increased expenditures for the inhalation project, which is financed solely by Siegfried until the beginning of the next year. Noticeably improved operative results are expected for 2010.



Consolidated Income Statement (unaudited)

In 1 000 CHF

	1 st Half-Year 2009	1 st Half-Year 2008
Net sales	121 019	159 644
Cost of goods sold	-95 378	-110 346
Gross profit	25 641	49 298
Marketing and sales	-4 607	-6 001
Research and development	-16 512	-19 023
Administration and general overhead	-10 591	-11 787
Other operating income	1 908	16 062
Operating profit	-4 161	28 549
Share of results of associated companies	650	536
Financial income	523	999
Financial expenses	-2 781	-1 988
Exchange rate differences	-29	-1 913
Loss/profit before taxes	-5 798	26 183
Income taxes	-169	-4 247
Net loss/profit *	-5 967	21 936
Net loss/profit per share		
Undiluted Net loss/profit per share (CHF)	-2.16	7.91
Diluted Net loss/profit per share (CHF)	-2.16	7.91

* completely attributable to the shareholders of the parent

Consolidated statement of financial position (unaudited)

In 1 000 CHF

	June 30, 2009	December 31, 2008
Assets		
Non-current assets		
Property, plant and equipment	238 796	241 729
Intangible assets	34 024	30 353
Investments in associated companies and joint ventures	6 098	6 024
Financial and other non-current assets	17 952	20 391
Total non-current assets	296 870	298 497
Current assets		
Inventories	154 548	147 066
Trade receivables	43 155	63 143
Other current assets	17 748	10 720
Current income tax	787	13
Derivative financial instruments	172	434
Cash	17 185	14 937
Total current assets	233 595	236 313
Total assets	530 465	534 810
Liabilities and Equity		
Equity		
Share capital	5 600	5 600
Treasury shares	-6 363	-5 039
Reserves and retained earnings	344 629	351 502
Total equity	343 866	352 063
Non-current liabilities		
Non-current financial liabilities	92 481	86 127
Non-current provisions	9 865	10 911
Deferred tax liabilities	1 468	579
Other non-current liabilities	1 351	3 124
Non-current pension liabilities	17 503	18 943
Total non-current liabilities	122 668	119 684
Current liabilities		
Trade payables	20 223	21 657
Other current liabilities	33 036	31 724
Derivative financial instruments	4 164	4 300
Non-current pension liabilities	1 389	922
Current provisions	4 598	4 420
Current income tax liabilities	521	40
Total current liabilities	63 931	63 063
Total liabilities	186 599	182 747
Total liabilities and equity	530 465	534 810

Condensed consolidated statement of cash flows (unaudited)

In 1 000 CHF

	1 st Half-Year 2009	1 st Half-Year 2008
Net loss/profit	-5 967	21 936
Adjustments:		
Depreciation property, plant and equipment and intangible assets	14 718	17 752
Change in provisions	-789	4 454
Other non-cash items	91	-28 795
Change in net current assets and other items	8 313	-20
Cash flow from operating activities	16 366	15 327
Purchase of property, plant and equipment	-7 833	-18 204
Sale of non-current assets held for sale	-	21 822
Miscellaneous cash flow from investing activities	-2 556	-309
Cash flow from investing activities	-10 389	3 309
Change in financial liabilities	3 228	23
Purchase/disposal of treasury shares, net	-1 343	-392
Dividend to shareholders Siegfried Holding AG	-5 739	-11 647
Cash flow from financing activities	-3 854	-12 016
Net change in cash	2 123	6 620
Cash as of 1.1.	14 937	4 714
Net effect of exchange rate changes on cash	125	-321
Cash as of 30.6.	17 185	11 013

Consolidated statement of comprehensive income (unaudited)

In 1 000 CHF

	1 st Half-Year 2009	1 st Half-Year 2008
Net loss/-profit	-5 967	21 936
Other comprehensive income		
Cashflow hedges		
- gains (losses) taken to equity	672	-
Available-for-sale financial assets		
- gains (losses) taken to equity	1 213	-4 696
Actuarial gains (losses) from defined benefit plans	1 256	-8 027
Siegfried share in equity of associated companies	-965	-
Currency translation differences	3 007	-11 198
Income taxes on items recorded in equity	-539	2 927
Other comprehensive income	4 644	-20 994
Comprehensive income *	-1 323	942

* completely attributable to the shareholders of the parent

In comparison to the semi-annual report 2008, the consolidated statement of comprehensive income has been adjusted (see note to the consolidated statement of changes in equity). The actuarial losses were increased from CHF 7 824 000 to CHF 8 027 000.

Consolidated statement of changes in equity (unaudited)

In 1 000 CHF

	Share-capital	Treasury shares	Capital surplus and legal reserves*	Value fluctuations of financial instruments*	Retained earnings*	Cumulative translation adjustments*	Total equity
1st Half-year 2009							
As of 1.1.2009	5 600	-5 039	18 483	-7 187	388 208	-48 002	352 063
Comprehensive income				1 536	-5 866	3 007	-1 323
Dividend					-5 739		-5 739
Appropriation from earnings			101		-101		-
Change in treasury shares		-1 324			-19		-1 343
Employee share plan					208		208
As of 30.6.2009	5 600	-6 363	18 584	-5 651	376 691	-44 995	343 866
1st Half-Year 2008							
As of 1.1.2008	5 600	-4 950	18 483	-123	511 247	-38 975	491 282
Restatement					-3 660		-3 660
As of 1.1.2008 after restatement	5 600	-4 950	18 483	-123	507 587	-38 975	487 622
Comprehensive income				-3 569	15 709	-11 198	942
Dividend				-	-11 647	-	-11 647
Change in treasury shares		-379		-	-13		-392
Employee share plan					-5		-5
As of 30.6.2008	5 600	-5 329	18 483	-3 692	511 631	-50 173	476 520

* These items are combined as reserves and retained earnings in the Balance Sheet.

In the consolidated financial statements of Siegfried Holding AG as per 31 December 2008 four welfare schemes were newly recognized as defined benefit plans. The restatement was performed retroactively to 1 January 2007. The consolidated statement of changes in equity and the comprehensive income of the first half-year 2008 were corrected in accordance with the new presentation. Further details are disclosed in the annual financial reporting for the year 2008.

Notes to the Consolidated Financial Statements

1. Accounting principles

Principles of consolidation The Consolidated Financial Statements include the unaudited half-year accounts of Siegfried Holding AG, which is incorporated in Switzerland, and its subsidiaries for the reporting period ended 30 June 2009 (First half-year 2009). The consolidated interim reporting has been prepared in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". These Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting principles are described in detail in the Annual Report 2008 of the Siegfried Group and have been applied unchanged for the half-year accounts with the exception of the adjustments explained below. If necessary, the comparative amounts taken from the prior year half-year consolidated financial statements have been reclassified or supplemented for changes in the presentation of the consolidated financial statements. The board of directors authorized the Interim Report for issue on 17 August 2009.

Changes in accounting principles In 2007 the Siegfried Group early adopted IFRS 8 "Operating segments", which was required to be implemented from 1 January 2009 at the latest. Therefore there have been no further adjustments to this half year report.

2. Most important currency rates

Period-end rate	June 30, 2009	December 31, 2008	Change in %
1 USD	1.081	1.056	2.4%
1 EUR	1.526	1.489	2.5%

Average rates	1 st Half-Year 2009	1 st Half-Year 2008	Change in %
1 USD	1.1293	1.0560	6.9%
1 EUR	1.5061	1.6060	-6.2%

3. Restructuring

Costs in the amount of CHF 2 656 000 are related to the implementation of the project "Deliver" which was started at the end of 2008. As part of this project the processes and structures are fundamentally revised. The amount mainly includes consulting fees and expenses for early retirements.

IAS 1 (revised) "Presentation of financial statements"

Amongst other matters, the revised standard requires some changes to the format of the statement of comprehensive income, the statement of changes in equity and additional disclosures in the notes to the Annual Financial Statements. The changes from the implementation of the revised standard are purely presentational and have no impact on the results and financial position of the Siegfried Group.

IAS 23 (revised) "Borrowing costs"

The revised standard requires capitalization of borrowing costs relating to qualifying assets as part of the cost of these assets. Previously the Group immediately recognized all borrowing costs as an expense. In the interim period 2009, no qualifying assets for capitalizing borrowing cost were identified, so that the revised Standard (IAS 23) had no impact on the consolidated financial statements ended 30 June 2009.

Other amendments to existing standards and interpretations had no material impact on the Group's results and financial position.

The Group is currently assessing the potential impacts of the other new and revised standards and interpretations that will be effective from 1 January 2010 and beyond, and which the Group has not early adopted. The Group does not anticipate that these will have a material impact on the results and financial position of the Siegfried Group.

4. Financing

Because the expenses related to the inhalation technology are directly charged to the Income Statement, negotiations regarding an adjustment of the financial covenants were conducted with the banks in the reporting period. As a result the covenants were adjusted to the new situation. In addition the credit line was reduced from CHF 200 million to new CHF 120 million. Siegfried still has the right to draw up to CHF 30 million in additional debt outside this facility.

5. Seasonality

The operating income is subject to fluctuations having no seasonal origin.

6. Dividend payment

On April 15, 2009 a dividend of CHF 2.10 per share was paid. The total amount of dividend was CHF 5 739 000.

7. Contingent liabilities

Contingent liabilities did not change in the reporting period compared to 31 December 2008.

8. Events after balance sheet date

There have been no material events after the balance sheet date.

9. Segment information (unaudited)

In 1 000 CHF

1st Half-Year 2009	Siegfried Actives	Siegfried Generics	Corporate and eliminations	Group
Net sales	90 751	30 268	–	121 019
EBITDA	16 364	–1 129¹	–4 678	10 557
Operating result	3 407	–2 874¹	–4 694	–4 161
Financial result, net				–1 637
Loss before income taxes				–5 798
Segment depreciation	12 957	1 744	17	14 718

¹ In the reporting period the operating result includes CHF 6 615 000 and in EBITDA CHF 5 879 000 development costs related to the build up of inhalation technology.

1st Half-Year 2008	Siegfried Actives	Siegfried Generics	Corporate and eliminations	Group
Net sales	95 087	64 557	–	159 644
EBITDA	17 452	32 210¹	–3 361	46 301
Operating result	1 671	30 255¹	–3 377	28 549
Financial result, net				–2 366
Profit before income taxes				26 183
Segment depreciation	15 781	1 955	16	17 752

¹ In the prior year period the operating result includes CHF 5 594 000 and in EBITDA CHF 5 262 000 development costs related to the build up of inhalation technology.

Shareholders information

Stock market data

			2009	2008	2007	2006	2005
Market prices Registered share	highest	CHF	101.0	183.0	206.9	211.0	165.4
	lowest	CHF	55.5	84.0	173.0	161.0	138.0
Year-end (2009: 30.6.)		CHF	98.1	91.0	193.0	183.0	164.5

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 is not a profit forecast and should not be interpreted to mean that Siegfried’s earnings or earnings per share for 2009 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.

Publisher’s note

This semi-annual report is also available in German, being the original version.

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