



Our network creates customer value



With sales of CHF 200.7 million for the first six months of 2015, Siegfried Group reported the highest half-year sales result in over ten years. The result exceeds that of the previous year by CHF 35.6 million, representing a 21.5% increase in Swiss francs or 25.0% in local currencies.

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	1st Half-Year 2015	1st Half-Year 2014	Change CHF (LC)
Net sales (million CHF)	200.7	165.1	21.5% (25.0%)
Gross profit (million CHF)	43.9	42.9	2.5%
Gross profit margin (%)	21.9%	26.0%	
EBITDA (million CHF)	34.6	28.4	21.8%
EBITDA-margin (%)	17.2%	17.2%	
EBIT (operating profit) (million CHF)	20.5	16.6	23.2%
EBIT-margin (%)	10.2%	10.1%	
Net profit (million CHF)	20.1	18.8	6.7%
Net profit-margin (%)	10.0%	11.4%	
Earnings per share (EPS)	5.03	5.01	0.5%
Diluted earnings per share (EPS)	5.00	5.01	-0.1%
Cash flow from operating activities (million CHF)	2.6	11.8	-77.9%
Investment in property, plant and equipment and intangible assets (million CHF)	53.7	43.0	24.8%
	June 30, 2015	December 31, 2014	Change
Equity (million CHF)	379.8	382.8	-0.8%
Total assets (million CHF)	667.7	629.6	6.1%
Equity as a percentage of total assets	56.9%	60.8%	
Number of employees (FTEs)	1 414	1 374	2.9%

2015 Half-Year Report of Siegfried Holding AG

Highlights

01 Highest half-year sales result in over ten years

With sales of CHF 200.7 million for the first six months of 2015, Siegfried Group reported the highest half-year sales result in more than ten years. The result represents a 21.5% increase in Swiss francs, or 25% in local currencies.

02 Profitability stable at a high level

Profitability remained stable at a high level with an EBITDA of CHF 34.6 million (+21.8%) and an EBITDA margin of 17.2% (previous year: 17.2%) and although the EBITDA margin of the 2014 acquired Hameln Pharma (Germany) was clearly below this value.

03 Inauguration of Nantong plant

On August 10, 2015, the new production facility for active pharmaceutical ingredients and intermediates in Nantong with a reactor capacity of 300 m³ was officially inaugurated in the presence of numerous dignitaries from China and Switzerland. The pilot plant commenced operation in October 2014. Significant customers received Nantong with great interest.

04 Acquisition of significant parts of BASF's production and supply business on schedule

As announced beginning of May, the acquisition of three BASF sites in France, Germany and Switzerland connected with the corresponding production and supply business is on schedule. A complex consultation procedure in France was finalized without complications, and the German antitrust authority, which has to approve the transaction, has no objections. Currently, various teams are working intensely on preparing the acquisition, which is expected at the beginning of the fourth quarter.

05 Continued high natural hedge in foreign currencies

In the first half of 2015, Siegfried's natural hedge in US dollars and euros remained at above 90%, burdening the operating result only insignificantly. The high value of the Swiss franc affects sales only in the low single-digit percent range.

06 Comparable sales expected for second half-year

The Siegfried Group expects comparable sales in local currencies – without inclusion of the three BASF sites – and continued stable profitability for the second half of 2015.

Siegfried Reports Sales Growth and Continued High Earning Power

35.6

million Swiss francs more net sales compared with the previous year.

With sales of CHF 200.7 million for the first six months of 2015, Siegfried Group (SIX: SFZN) reported the highest half-year sales result in over ten years. The result exceeds that of the previous year by CHF 35.6 million, representing a 21.5% increase in Swiss francs or 25.0% in local currencies. Profitability remained stable at a high level with an EBITDA of CHF 34.6 million (+ 21.8%) and an EBITDA margin of 17.2% (previous year: 17.2%). Net profit amounts to CHF 20.1 million (2014: CHF 18.8 million). The new production facility in Nantong has been inaugurated. The acquisition of significant segments of BASF's pharmaceutical supply business and connected chemical-pharmaceutical production units in three locations is progressing according to schedule. In the industry's continuing consolidation process and with total sales of over CHF 600 million and EBITDA in excess of CHF 100 million, Siegfried will enjoy the necessary size to be a leading and comprehensive supplier in the pharmaceutical CMO field. Starting the 4th quarter of 2015, Siegfried Group will employ a workforce of over 2200 employees at nine sites on three continents.

Growth in pharmaceutical ingredients and finished dosage forms

The actual growth driver of sales in the active pharmaceutical ingredients segment in the first six months of 2015 proved to be exclusive synthesis, which grew by 28%. Overall, sales of active pharmaceutical ingredients grew by 3.3%.

Business with finished dosage forms grew by 81%. The increase is due mainly to the acquisition of Hameln Pharma end of 2014. The acquisition considerably strengthened the share of sterile filling in Siegfried's total sales, representing about one quarter in the first six months of 2015.

Continued good profitability

20.5

million Swiss francs EBIT (prior year CHF 16.6 million).

Both the EBIT margin and the EBITDA margin remained constant in the period under review, although the Hameln Pharma profitability is diluting the margin as mentioned in the acquisition announcement. The Siegfried Group's EBIT reached CHF 20.5 million, compared to CHF 16.6 million in the comparable period of 2014. The EBIT margin therefore increased from 10.1% to 10.2%. The EBITDA margin remained constant at 17.2%.

Successful management of currency influences

Despite the currency turbulences surrounding the Swiss franc, the Siegfried Group's sales adjusted for acquisitions remained stable, and earnings were influenced insignificantly. In the period under review, Siegfried's natural hedge in US dollars and euros remained high at above 90%.

Management has for several years given high priority to a sound natural hedge and will continue to do so in the future.

over
90%

was Siegfried's natural hedge in the period under review.

Chinese site in Nantong operational

In October 2014, the pilot plant in Nantong commenced operation; in May 2015, the entire facility was completed, and all necessary approvals and licenses have been obtained. Nantong represents an important part of Siegfried's market offer, which has become significantly more attractive and denotes a vital element of Siegfried Group's future growth. Accordingly, customer interest is brisk. Important strategic partners of Siegfried have visited the site on several occasions.

The cooperation among Siegfried's various production sites is now well coordinated. Initial technology transfers from products have already been carried out.

Nantong will strengthen Siegfried's production network in the chemical-pharmaceutical field in every respect. Early steps can now be produced cost-efficiently by Siegfried itself. In the future, the different production steps of an active pharmaceutical ingredient will be produced at the most suitable location. The three BASF sites to be included in the Siegfried Group will also offer attractive scope for Nantong.

Integration of Hameln Pharma soon to be completed

The first half of 2015 was characterized by the post-merger integration of Hameln Pharma. The revocation of the warning letter issued by the US regulatory authority was an important milestone.

Today, Hameln Pharma operates in the market under the Siegfried brand and has been fully integrated into the Siegfried Group's functional management structure. The integration was quick and smooth and is nearly completed.

270

million euros is the debt-free price of acquisition for significant parts of BASF's supplier business.

Acquisition of significant segments of BASF's CMO business on schedule

In every respect, the acquisition of significant parts of BASF's supplier business and three production sites is on schedule. Similar to Siegfried, the BASF business unit concerned supplies the worldwide pharmaceutical industry and produces active pharmaceutical ingredients and intermediates, thus ideally complementing Siegfried's range. The transaction comprises sites in Minden (Germany), Saint-Vulbas (France) and Evionnaz (Switzerland), making Siegfried the leading supplier in this field. The debt-free price of acquisition amounts to approximately EUR 270 million.

The combination of Siegfried and BASF's pharmaceutical supply business represents an attractive base for sustained profitable growth. The combination of the two companies' complementary customer portfolios with higher flexibility in acquiring new business owing to sufficiently available capacity will have a positive effect on sales and profit. Moreover, synergies will be achieved in the areas of overheads, IT and procurement, as well as through coordination of the global production network with the new site in Nantong, China. In addition, the merger provides access to complementary technological platforms, such as azide chemistry, phosgenation and low-temperature chemistry. As a result, both new customers and new projects will be secured. The acquisition will make a significant contribution toward implementing Siegfried's one-stop-shop strategy.

A complex consultation procedure recently introduced in France was finalized without complications, and the German antitrust authority, which has to approve the transaction, has established no objections. Currently, various teams are working intensely on preparing the acquisition, which is expected at the beginning of the fourth quarter.

Robust financing

Siegfried Group continues to be soundly financed. Financing of the BASF transaction is secured by two Swiss banks. As announced earlier, RAG-Stiftung Beteiligungsgesellschaft mbH based in Essen (Germany) will participate in a convertible hybrid bond in the amount of CHF 60 million which will be implemented toward partly financing the acquisition. The bond entitles RAG-Stiftung to convert the amount within five years into Siegfried Holding AG shares, representing a stake in Siegfried of about 7%. It is expected that the shares will come from Siegfried Holding AG's own treasury shares. A capital increase is not planned in this connection. Furthermore, in the fourth quarter of 2015, Siegfried will issue a public hybrid bond of up to CHF 140 million. The remaining portion of the financing will be secured by a syndicate of Swiss banks.

Implementation of Transform Strategy

The acquisition of significant parts of BASF's supply business and connected chemical-pharmaceutical production units and putting into operation the Nantong plant complete implementation of the Transform Strategy as defined in 2010. In terms of the strategy, AMP in California and Hameln Pharma were acquired previously. Additionally, in Zofingen and in Malta, suites for the production of highly effective drugs were established and a state-of-the-art, high-efficiency spray dryer installed in Pennsville. In Zofingen, a new production facility was built to be commissioned in the current financial year. In August 2015, a new administration building in Zofingen meeting the latest trends in office cooperation was inaugurated.

Comparable sales expected for second half-year

In the second half of 2015 – before inclusion of BASF's production and supply business sales – the Siegfried Group expects comparable sales in local currencies as in the first half-year and a continued stable performance. Siegfried envisages dividend pay-out for the 2015 financial year to be higher than that of the previous year.

2015

In the second half of 2015, the Siegfried Group expects comparable sales and continued stable profitability.

Consolidated Balance Sheet

In 1000 CHF	Notes*	June 30, 2015	December 31, 2014
Assets			
Non-current assets			
Property, plant and equipment	6	329 996	314 927
Intangible assets		8 722	9 489
Investments in associated companies and joint ventures		553	593
Financial and other non-current assets		182	116
Employer contribution reserves		8 710	8 726
Deferred tax assets		24 900	22 291
Total non-current assets		373 063	356 142
Current assets			
Inventories		135 743	123 159
Trade receivables		82 440	68 806
Other current assets		29 690	23 544
Accrued income		5 978	7 629
Current income taxes		97	68
Securities		10	–
Derivative financial instruments		1 080	–
Cash		39 646	50 224
Total current assets		294 684	273 430
Total assets		667 747	629 572
Liabilities and equity			
Equity			
Share capital		8 300	8 300
Treasury shares		–29 201	–19 236
Capital reserves		79 753	85 739
Retained earnings	5	320 953	307 967
Total equity		379 805	382 768
Non-current liabilities			
Non-current financial liabilities	7	145 072	113 241
Non-current provisions		8 337	9 073
Deferred tax liabilities		3 876	4 305
Other non-current liabilities		11 178	12 959
Non-current pension liabilities		149	149
Total non-current liabilities		168 612	139 727
Current liabilities			
Trade payables		45 893	43 971
Other current liabilities		10 784	9 765
Accrued expenses		23 801	22 199
Other current financial liabilities	7	30 122	22 147
Derivative financial instruments		100	353
Current pension liabilities		656	554
Current provisions		7 852	7 947
Current income tax liabilities		122	140
Total current liabilities		119 330	107 076
Total liabilities		287 943	246 803
Total liabilities and equity		667 748	629 572

* The notes on pages 14–17 are an integral part of the Group Financial Statements.

Consolidated Income Statement

In 1000 CHF	Notes*	1st Half-Year 2015	1st Half-Year 2014
Net sales		200 707	165 136
Cost of goods sold		-156 759	-122 266
Gross profit		43 948	42 870
Marketing and sales costs		-5 744	-4 625
Research and development costs		-10 834	-11 207
Administration and general overhead costs		-9 703	-11 627
Other operating income		2 839	1 242
Share of results of associated companies		-4	-12
Operating result		20 503	16 641
Financial income		74	118
Financial expenses		-1 958	-1 686
Exchange rate differences		-2 236	289
Profit before income taxes		16 383	15 362
Income taxes	8	3 685	3 443
Net profit		20 068	18 805
Earnings per share (CHF)		5.03	5.01
Diluted earnings per share (CHF)		5.00	5.01

* The notes on pages 14–17 are an integral part of the Group Financial Statements.

Condensed Consolidated Statement of Cash Flows

In 1000 CHF	Notes*	1st Half-Year 2015	1st Half-Year 2014
Net profit		20 068	18 805
Adjustments:			
Depreciation and impairment of PP&E and Intangibles		14 111	11 770
Financial result		4 120	1 279
Other non-cash items		-6 622	-4 986
Cash flow from operating activities before change in net current assets		31 677	26 868
Change in net current assets and other items		-29 065	-15 047
Cash flow from operating activities		2 612	11 821
Purchase of property, plant and equipment and intangible assets		-53 660	-43 014
Proceeds from disposal of property, plant and equipment	6	5 478	302
Acquisition of group companies		-	-12 832
Other cash flow from investing activities		12	-12
Cash flow from investing activities		-48 170	-55 556
Increase in financial liabilities, net	7	52 563	1 668
Other changes from financing activities		-1 473	-1 468
Purchase/disposal of treasury shares, net		-9 455	1 105
Dividend to the shareholders of Siegfried Holding AG		-5 986	-5 931
Cash flow from financing activities		35 649	-4 626
Net change in cash		-9 909	-48 361
Cash at 1.1.		50 224	127 341
Net effect of exchange rate changes on cash		-669	-349
Cash at 30.6.		39 646	78 631

* The notes on pages 14–17 are an integral part of the Group Financial Statements.

Consolidated Statement of Changes in Equity

In 1000 CHF	Share capital	Treasury shares	Capital surplus and legal reserves	Value fluctuations of financial instruments*	Accumulated profits*	Cumulative translation adjustments*	Total equity
1st Half-Year 2015							
As of January 1, 2015	8 300	-19 236	85 739	-759	368 595	-59 870	382 768
Net profit	-	-	-	-	20 068	-	20 068
Changes in financial instruments	-	-	-	1 377	-	-	1 377
Currency translation differences	-	-	-	-	-	-7 227	-7 227
Dividends	-	-	-5 986	-	-	-	-5 986
Adjustment Goodwill	-	-	-	-	-2 783	-	-2 783
Employee share plan	-	-	-	-	1 044	-	1 044
Change in treasury shares	-	-9 965	-	-	510	-	-9 455
As of June 30, 2015	8 300	-29 201	79 753	618	387 434	-67 097	379 806
1st Half-Year 2014							
As of January 1, 2014	7 600	-33 421	61 479	132	397 292	-70 649	362 433
Net profit	-	-	-	-	18 805	-	18 805
Changes in financial instruments	-	-	-	-265	-	-	-265
Currency translation differences	-	-	-	-	-	-857	-857
Dividends	-	-	-5 931	-	-	-	-5 931
Capital increase	700	-	30 194	-	-	-	30 894
Employee share plan	-	9 967	-	-	-40 708	-	-30 741
Change in treasury shares	-	-998	-	-	2 102	-	1 104
As of June 30, 2014	8 300	-24 452	85 742	-133	377 490	-71 505	375 442

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

The share capital of Siegfried Holding AG amounts to CHF 8.3 million (2014: 8.3 million). It is divided into 4 150 000 registered shares each with a nominal value of CHF 2 (2014: 4 150 000 registered shares).

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

Notes to the Half-Year Report

1. Accounting principles

Scope of consolidation

This Half-Year Report includes the unaudited half-year consolidated financial statements of Siegfried Holding AG, which is domiciled in Switzerland, and its subsidiaries for the reporting period ended June 30, 2015 (1st half-year 2015). The half-year consolidated financial statements have been drawn up in accordance with Swiss GAAP FER 31 and should be read in conjunction with the Consolidated Financial Statements for the financial year ended December 31, 2014. The accounting principles are set out in detail in the Annual Report 2014 of the Siegfried Group and, with the exception of the change described below, applied unchanged for the half-year financial statements. The half-year consolidated financial statements were approved by the Board of Directors on August 14, 2015.

Information about the Group

Siegfried is a worldwide pharmaceutical supplier with production sites in Switzerland, Germany, Malta, USA and China. Siegfried develops under contract to the pharmaceutical industry manufacturing processes for active pharmaceutical ingredients and their intermediates and produces them (Drug Substances). Siegfried also produces finished pharmaceutical products (Drug Products). Siegfried Holding AG (head office in Zofingen, AG) is listed on the SIX Swiss Exchange.

2. Changes in accounting principles

Swiss GAAP FER 31 – Financial reporting standard for listed companies

The supplementary Financial Reporting Standard for listed companies became effective from January 1, 2015. It deals with the initial adoption of Swiss GAAP FER, share-based payments, businesses being discontinued, earnings per share, income taxes, financial obligations, segment reporting and interim reporting. The introduction of the new Financial Reporting Standard does not have a significant impact on the results and disclosure of the Siegfried Group, because the new requirements have already been applied before.

Swiss GAAP FER Framework concept – Swiss GAAP FER 3 – Swiss GAAP FER 6

The Swiss GAAP FER Commission has undertaken revisions concerning revenue recognition and its disclosure, which will be effective from January 1, 2016. These changes will have no significant effect on the results and the disclosure of the Siegfried Group.

3. Most important currency translation rates

Balance Sheet

Closing rates	June 30, 2015	December 31, 2014
1 USD	0.928	0.989
1 EUR	1.038	1.203
100 RMB	15.170	16.154

Income Statement

Average rates	1st Half-Year 2015	1st Half-Year 2014
1 USD	0.948	0.891
1 EUR	1.058	1.222
100 RMB	15.470	14.515

Despite the abandonment of the Euro lower limit by the Swiss National Bank in January 2015, which as a result of currency translation leads to lower revenues for Siegfried, the operating result is affected only to an immaterial extent, because of its good natural hedge.

4. Scope of consolidation

In the first half of 2015 Penick Corporation was merged with Siegfried USA, LLC. In addition on November 28, 2014, Siegfried took over fully Hameln Pharmaceuticals GmbH, Hameln RDS GmbH and Hameln Real Estate KG, companies located in Hameln.

5. Acquisition

In May 2015, the Siegfried Group reached a general agreement with the German BASF for the acquisition of significant areas of the production and supply business in pharmaceutical ingredients and the connected three chemical-pharmaceutical production sites in Germany, France and Switzerland. The completion of the planned transaction is expected for autumn 2015. The legally prescribed consultation procedure in France was successfully concluded in June 2015. In total in 2014 the three locations with over 800 employees generated revenues of approximately CHF 280 million. The purchase price net of debt amounts to approximately EUR 270 million.

The provisionally calculated purchase price for the Hameln Group, which Siegfried acquired in November 2014, has been adjusted in the first half of 2015. This resulted in an increase in goodwill by CHF 2.8 million, which has been eliminated directly over equity.

6. Sale of property, plant and equipment

Siegfried and the US American pharmaceutical company Celgene have put their existing close cooperation on a firm long-term basis. The agreement, which replaces a cooperation agreement signed in 2006, includes the acquisition of a production building in the Pharmapark Siegfried. The sale of property, buildings and fixed assets resulted in a profit of CHF 2.0 million, recognized in Other income.

7. Financing

The lines of credit in the amount of CHF 250 million are provided by a syndicate. At June 30, 2015, CHF 175.2 million of the syndicated loan was used.

8. Taxes

The profit estimates of the subsidiary companies, which have available tax loss carry-forwards, have been updated. As a result tax effects of tax loss carry-forwards have been capitalized and the changes in deferred taxes recognized in the balance sheet, which in the first half of 2015 led to a positive tax result.

9. Seasonality

The operating results are subject to fluctuations that are not seasonable in nature.

10. Contingent liabilities

In comparison with the contingent liabilities at December 31, 2014, in the period under review there have been no changes.

11. 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 by product group

In CHF million	1st Half-Year 2015	1st Half-Year 2014
Drug Substance	130.6	126.4
Drug Products	70.1	38.7
Total	200.7	165.1

12. Events after the balance sheet date

At the beginning of July 2015, the refinancing of the Siegfried Group was successfully completed. The credit limit was increased from CHF 250 million to CHF 400 million and is made available by two Swiss banks (joint mandated lead arrangers). The purpose of this increase is to pay for the forthcoming acquisition (see Note 5). Following the successful closing of this acquisition CHF 60 million will be replaced by a Private Convertible Hybrid Bond, which the German RAG Stiftung will take over. It is also planned to replace up to CHF 140 million by a Public Hybrid Bond. The remaining financing amount will be borne by a syndicate of Swiss banks.

Stock Market Data

			2015	2014	2013	2012	2011
Market prices registered share	high	CHF	178.4	171.0	163.5	122.0	110.0
	low	CHF	139.5	139.0	109.3	83.7	80.0
Year-end (2015: 30.6.)		CHF	164.6	162.0	161.6	114.3	89.8

Cautionary Statement Regarding Forward-Looking Statements

This Half-Year 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 forward-looking 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 outlook 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.

Publisher's note

This Half-Year Report is also available in German, being the original version.

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