Financial Report

In the financial year 2013 Siegfried again succeeded in significantly improving all operating figures and more than doubling both the operating result (EBIT) and the net profit over the prior year.

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Key figures

	2013	2012	Change CHF (LC)
Net sales (million CHF)	374.9	367.8	2.0% (3.1%)
Gross profit (million CHF)	98.7	82.6	19.6%
Gross profit margin (%)	26.3%	22.5%	
EBITDA (million CHF)	65.6	45.4	44.7%
EBITDA margin (%)	17.5%	12.3%	
EBIT (operating result) (million CHF)	40.8	17.9	127.9%
EBIT margin (%)	10.9%	4.9%	
Net profit (million CHF)	53.9	20.9	158.1%
Net profit-margin in percentage	14.4%	5.7%	
Earnings per share (CHF)	15.07	5.76	161.7%
Diluted earnings per share (CHF)	13.73	5.55	147.2%
Cash flow from operating activities (million CHF)	67.5	54.3	24.3%
Investment in property, plant and equipment and intangible assets (million CHF)	51.9	22.8	127.3%

	December 31, 2013	December 31, 2012	Change
Equity (million CHF)	362.4	316.4	14.6%
Total assets (million CHF)	537.8	477.4	12.7%
Equity as a percentage of total assets	67.4%	66.3%	
Employees (number of full time positions)	917	832	10.2%

Financial Commentary 2013

Further profitable sales growth

In the financial year 2013 Siegfried generated sales of CHF 374.9 million. Compared with the prior year this represents growth of 2.0% in CHF or 3.1% in local currencies. The sales in Drug Substances increased by 1.4% (+2.5% in local currencies) to CHF 274.1 million. With sales of CHF 100.8 million, for the first time in recent years Drug Products exceeded the level of 100 million. Growth in Drug Products amounts to 3.4% (+4.9% in local currencies). Drug Products benefited from good growth in sterile filling. In this field in the prior year Siegfried had strengthened its position with the acquisition of Alliance Medical Products, Inc. Adjusted for the acquisition, Siegfried's sales fell slightly by 1.9% in CHF or 0.8% in local currencies.

In addition to the negative currency effect it should be noted that sales were again negatively affected by a further decrease in the price of an important raw material for one of the key revenue generators. This raw material is charged on to the customers based on contractual agreements without effect on the result. The effect amounted in 2013 to about CHF 8 million or 2% of sales, but with no impact on the result. Adjusted for this effect , currency and acquisition adjusted growth of 1.2% or in aggregate currency adjusted growth of 5.1% would have resulted.

Significant increase in the operating results and margins

In 2013 Siegfried achieved EBITDA of CHF 65.6 million. The EBITDA improved over the prior year by CHF 20.2 million or 44.7%. The EBITDA margin increased by 5.2 percentage points to 17.5%. Also at the EBIT level a significant improvement was achieved. The EBIT increased by 127.9% or CHF 22.9 million to CHF 40.8 million. The EBIT margin was also more than doubled from 4.9% in the prior year to 10.9%. This disproportionate improvement of the operating results in relation to sales was possible as a result of a change in the portfolio towards more profitable products and services. Sterile filling made a major contribution to this development, but also in the remainder of the portfolio an improvement in the margins was achieved.

The cost of goods sold amounted in 2013 to CHF 276.2 million or 73.7% of sales. This resulted in a gross profit of CHF 98.7 million compared with CHF 82.6 million in the prior year, an increase of CHF 16.1 million or 19.6%. The gross profit margin was substantially improved by 3.8 percentage points to 26.3%.

Continuing cost discipline had the result that both marketing and sales costs (CHF 8.4 million) and research and development costs (CHF 23.1 million) remained stable in comparison with the prior year. For the administrative costs a reduction by CHF 5.3 million can be reported, caused principally by a lower charge for the Equity Ownership Plan (EOP). The administrative costs amounted to CHF 35.7 million (prior year CHF 41.0 million). Other operating income of CHF 8.8 million is CHF 2.0 million above the prior year amount. The result from associated companies contributed CHF 0.6 million to the operating result (2012: CHF 1.2 million).

In 2013 exchange rates remained relatively stable. Siegfried continues to pursue its strategy of maintaining a Natural Hedge as high as possible. In the past financial year this was for US Dollars and Euros at about 80%. In 2013 the result was a marginally positive currency effect on the operating result.

Strong growth in net profit

Based on its greatly improved operating results, in 2013 Siegfried more than doubled the net profit to CHF 53.9 million with a net profit margin of 14.4% (prior year CHF 20.9 million at 5.7% net profit margin). As a result of the sale of the investment in SCI Pharmtech Inc. (Taiwan) an above average financial result of CHF 9.4 million was achieved. The net profit also contains a positive tax result of CHF 3.6 million, which has arisen from a partial recognition of tax loss carry forwards. The earnings per share are CHF 15.07 (prior year CHF 5.76), the diluted earnings per share CHF 13.73 (prior year CHF 5.55).

Equity Ownership Plan (EOP)

In 2010, in order to support the turnaround and to align the interests of the shareholders, the Board of Directors, the executive management and the management, the "Equity Ownership Plan" (EOP) was introduced. The target achievement for the phase 2010–2013 is established with the end of the financial year 2013. The expense for the related share based payments and the resulting social security charges have been accrued as expense in the years 2010–2013. With the end of the financial year 2013 the EOP now terminates. In line with the target achievement, in spring 2014 leverage shares will be allocated out of the conditional capital created for this purpose in 2010. This will result in the issue of 350 000 new shares and a corresponding capital increase. The number of shares will then increase from 3.8 to 4.15 million. In calculating the diluted earnings per share the new shares are fully considered.

From 2014 a new Long-Term Incentive Plan (LTIP) will apply. The annual charge will be considerably less than that for the EOP. The EOP and the employee ownerships plans running from 2014 are described in detail in the Remuneration Report and in the Notes to the Consolidated Financial Statements.

Strong operating cash flow – Increase and extension of the syndicated loan

In line with the strong development of the operating results, the operating cash flow rose in 2013 by CHF 13.2 million or 24.3% to CHF 67.5 million. The Net Working Capital fell by CHF 3.3 million. The cash flow for investing activities contains the investments in tangible and intangible fixed assets of CHF 51.9 million. On the other hand as a result of the sale of tangible assets in connection with the project "Forum" (construction of a new administration building by a third party) CHF 7.6 million flowed in. Furthermore CHF 18.0 million flowed in following the sale of the investment in SCI Pharmtech Inc. (Taiwan). Overall this resulted in a cash flow for investing activities of CHF 25.7 million. The cash flow from financing activities aggregating CHF 13.0 million includes the net increase in the financing out of the syndicated loan of CHF 31.8 million. Included also are the distribution out of the capital contribution reserve of CHF 4.3 million, the net change in treasury shares and interest and bank charges paid. As a result of the strong operating cash flow and the partial debt financing of the investments in tangible fixed assets the cash balance at the end of December 2013 increased to CHF 127.3 million. This represents a net cash position of CHF 50.4 million. Taking into account the treasury shares this amounts to CHF 92.8 million.

At the end of 2013 Siegfried was able to extend the syndicated loan by 5 years and at the same time increase it from CHF 150 million to CHF 250 million. The bank syndicate continues to consist only of Swiss banks. With available credit lines of approximately CHF 170 million (CHF 250 million less debt of CHF 80 million) Siegfried has at its disposal adequate financial flexibility for further strategic projects.

Michael Hüsler
CFO

Consolidated Balance Sheet

In 1 000 CHF (as of December 31)	Notes*	2013	2012
Assets			
Non-current assets			
Property, plant and equipment	2	208 407	188 398
Intangible assets	3	9 565	7 060
Investments in associated companies and joint ventures	4	580	7 012
Financial and other non-current assets	5	158	217
Employer contribution reserves	16	8 466	7 073
Deferred tax assets		13 200	8 780
Total non-current assets		**240 376**	**218 540**
Current assets			
Inventories	7	99 122	121 704
Trade receivables	8	61 966	55 854
Other current assets		3 916	3 012
Accrued income and prepaid expenses		4 497	4 232
Current income taxes		42	137
Derivative financial instruments	9	512	566
Cash		127 341	73 310
Total current assets		**297 396**	**258 815**
Total assets		**537 772**	**477 355**
Liabilities and equity			
Equity			
Share capital	11	7 600	7 600
Treasury shares	10	–33 421	–20 442
Capital reserves		61 479	65 762
Retained earnings		326 775	263 431
Total equity		**362 433**	**316 351**
Non-current liabilities			
Non-current financial liabilities	12	59 700	38 010
Non-current provisions	13	10 687	11 705
Deferred tax liabilities		3 799	3 191
Other non-current liabilities	14	2 137	23 327
Non-current pension liabilities	16	163	164
Total non-current liabilities		**76 486**	**76 397**
Current liabilities			
Trade payables		30 952	40 521
Other current liabilities		23 232	4 972
Accrued expenses and deferred income	15	14 905	16 110
Other current financial liabilities	12	17 235	9 502
Derivative financial instruments	9	258	275
Current pension liabilities	16	612	680
Current provisions	13	11 409	12 268
Current income tax liabilities		250	279
Total current liabilities		**98 853**	**84 607**
Total liabilities		**175 339**	**161 004**
Total liabilities and equity		**537 772**	**477 355**

* The notes on pages 131 – 159 are an integral part of the Group Financial Statements.

Consolidated Income Statement

In 1 000 CHF (for the years ended December 31)	Notes*	2013	2012
Net sales	25	374 940	367 754
Cost of goods sold		–276 192	–285 187
Gross profit		**98 748**	**82 567**
Marketing and sales costs		–8 436	–8 479
Research and development costs		–23 118	–23 122
Administration and general overhead costs		–35 716	–41 035
Other operating income	18	8 767	6 816
Share of results of associated companies		594	1 176
Operating result		**40 839**	**17 923**
Financial income	19	11 833	242
Financial expenses	19	–3 071	–2 255
Exchange rate differences		655	–743
Profit before income taxes		**50 256**	**15 167**
Income taxes	6	3 595	5 701
Net profit		**53 851**	**20 868**
Earnings per share (CHF)	20	15.07	5.76
Diluted earnings per share (CHF)	20	13.73	5.55

* The notes on pages 131 – 159 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*	2013	2012
Net profit		**53 851**	**20 868**
Adjustments:			
Depreciation and impairment of PP&E and intangible assets	2, 3	24 803	27 443
Change in provisions		199	9 258
Other non-cash items[1]		–10 116	583
Share-based payments	17	11 943	21 351
Exchange rate differences		–655	743
Financial income		–11 833	–242
Financial expenses		3 071	2 255
Income taxes	6	–3 595	–5 701
Share of results of associated companies		–594	–1 177
Net result on disposal of property, plant and equipment	18	–2 818	–4 958
Cash flow from operating activities before change in net current assets		**64 256**	**70 423**
Change in trade receivables		–7 250	–6 488
Change in other current assets		–1 689	10
Change in inventories		21 869	–10 312
Change in trade payables		–7 961	–481
Change in other current liabilities		4 354	2 154
Payments out of provisions		–5 460	–649
Income taxes paid		–592	–335
Cash flow from operating activities		**67 529**	**54 322**
Purchase of property, plant and equipment	2	–47 726	–22 058
Proceeds from disposal of property, plant and equipment		7 827	6 950
Purchase of intangible and other assets	3	–4 145	–767
Acquisition of group companies		–	–57 775
Purchase of available-for-sale financial assets		–83	–
Sale of available-for-sale financial assets	1	18 048	2 081
Interest received		51	69
Dividend received		307	351
Cash flow from investing activities		**–25 721**	**–71 149**
Increase in financial liabilities	12	31 762	48 591
Change in other non-current liabilities		–	90
Purchase/disposal of treasury shares, net		–12 198	–4 873
Interest paid and bank charges		–2 258	–1 628
Dividend to the shareholders of Siegfried Holding AG		–4 284	–3 647
Cash flow from financing activities		**13 022**	**38 533**
Net change in cash		**54 830**	**21 706**
Cash at the beginning of the year		73 310	52 566
Net effect of exchange rate changes on cash		–799	–962
Cash at the end of the year		127 341	73 310

* The notes on pages 131 – 159 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
As of January 1, 2012	**7 600**	**–17 191**	**69 409**	**121**	**359 230**	**–65 689**	**353 480**
Net profit	–	–	–	–	20 868	–	20 868
Dividends	–	–	–3 647	–	–	–	–3 647
Changes in financial instruments				–141			–141
Employee share plan	–	–	–	–	19 056	–	19 056
Change in treasury shares	–	–3 251	–	–	674	–	–2 578
Goodwill allocation	–	–	–	–	–67 846	–	–67 846
Change in consolidation scope associated companies					–515		–515
Currency translation differences						–2 325	–2 325
As of December 31, 2012	**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**

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

The share capital of Siegfried Holding AG amounts to CHF 7.6 million (2012: CHF 7.6 million). It is divided into 3 800 000 registered shares with a par value CHF 2 (2012: 3 800 000 registered shares).

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 20, 2014 for presentation to the General Meeting held on March 26, 2014.

Information about the Group
The Siegfried Group is a worldwide pharmaceutical supplier with production sites in Switzerland, Malta and the USA. In China a new manufacturing facility is under construction. 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). Siegfried Holding AG's shares (head office in Zofingen AG) are traded 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. The introduction of the new Financial Reporting Standard does not have a significant impact on the results and disclosures of the Siegfried Group, because the new requirements are already applied execpt for the tax rate reconciliation.

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.

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	2013	2012
1 USD	0.888	0.914
1 EUR	1.226	1.207
100 RMB	14.669	14.684

Income Statement

Average rates	2013	2012
1 USD	0.927	0.938
1 EUR	1.231	1.205
100 RMB	14.978	14.881

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 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. They are valued at amortized cost, and any difference between the amount received (less transaction costs) and the settlement amount is recognized in the Income Statement over the period of the loan, using the effective interest method. 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

The Siegfried Group launched an Equity Ownership Plan (EOP) for the members of the Board of Directors and the Management. This plan foresees that the members of the Board of Directors and the Management will receive part of their remuneration and bonus in shares and, if they achieve defined targets, leverage shares will be allocated in 2014. 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.

In September 2005, the Siegfried Group implemented an Employee Share Purchase Plan to allow employees who do not take part on the EOP 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

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 10, 2013 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 21, 2013. The annual report on the internal control system, including its assessment, was also approved at the meeting on November 21, 2013. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 6, 2013.

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.

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, 2013, Siegfried had available unrecognized tax losses and tax credits of CHF 234.4 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 16.2 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 LLC, 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)	46 688 794	CNY	100.00%
Finance and administration			
Siegfried Holding AG, Zofingen (Switzerland)	7 600 000	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%
Joint venture			
Alpine Dragon Pharmaceuticals Ltd., Huangyang, Gansu Province (China)	10 542 708	CNY	49.00%

In 2013 Sigamed AG merged with Siegfried Finance AG and Penick Holding Company merged with Siegfried (USA), LLC. Additionally, Penick Corporation was renamed to Penick LLC.

As of June 18, 2013 the Siegfried Group is no longer represented in the Board of Directors of SCI Pharmtech Inc., Taoyuan (Taiwan) and accordingly the significant influence of Siegfried is no longer given. Therefore SCI Pharmtech Inc., Taoyuan (Taiwan), which had previously been carried as an associated company, has been reclassified in the Balance Sheet as a financial investment and all shares were sold in the second half year of 2013 what led to a cashflow of CHF 18.0 million.

2. Property, plant and equipment

In 1 000 CHF	Land	Buildings	Machinery and equipment	Prepayments	Assets under construction	Total
Acquisition costs						
As of January 1, 2012	547	167 304	450 833	731	6 281	625 696
Translation differences	–	–1 109	–2 565	–8	–91	–3 773
Change in scope of consolidation	–	926	5 256	–	190	6 372
Additions	6 395	50	1 430	1 346	20 484	29 705
Disposals	–	–7 413	–9 644	–	–19	–17 076
Reclassifications	–	641	9 527	–1 451	–8 717	–
As of December 31, 2012	**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**
Accumulated depreciation and impairments						
As of January 1, 2012	–	99 044	342 036	–	–	441 080
Translation differences	–	–646	–1 889	–	–	–2 535
Change in scope of consolidation	–	618	2 812	–	–	3 430
Depreciation charge	–	5 902	19 733	–	–	25 635
Disposals	–	–6 198	–8 886	–	–	–15 084
As of December 31, 2012	**–**	**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**
Net book value 31.12.2013	**6 942**	**58 311**	**93 739**	**5 107**	**44 308**	**208 407**
Net book value 31.12.2012	**6 942**	**61 679**	**101 030**	**617**	**18 129**	**188 398**
Insurance value 31.12.2013						885 881
Insurance value 31.12.2012						854 633

In connection with the project "Forum" Siegfried disposed land including buildings to Swisscanto, leading to a net decrease in buildings and facilities of CHF 1.4 million. Swisscanto has a put-option with Siegfried for the repurchase of certain land areas in the value of CHF 2.5 million in case not the full project can be realized. This option is registered at the land registry until August 31, 2019.

As of December 31, 2013, commitments for the purchase of property, plant and equipment amounted to CHF 3.3 million (2012: CHF 2.4 million). In addition Siegfried is obligated to invest USD 31.1 million (2012: USD 49.1 million) in the production site in Nantong (China).

3. Intangible Assets

In 1 000 CHF	Licenses, patents	Trademarks	Software	Land use rights	Total
Acquisition costs					
As of January 1, 2012	10 250	6 233	9 980	–	26 463
Translation differences	–303	–184	–59	–10	–556
Additions	–	–	30	737	767
Disposals	–	–	–48	–	–48
As of December 31, 2012	**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**
Accumulated amortization and impairments					
As of January 1, 2012	4 901	4 688	8 580	–	18 169
Translation differences	–155	–152	–56	–	–363
Amortization charge	415	529	864	–	1 808
Disposals	–	–	–48	–	–48
As of December 31, 2012	**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**
Net book value December 31, 2013	**4 261**	**456**	**198**	**4 650**	**9 565**
Net book value December 31, 2012	**4 786**	**984**	**563**	**727**	**7 060**

Siegfried acquired land use rights in Nantong (China) for the establishment of the production site. The acquired rights are classified as intangible assets and amortized over the term of 50 years.

The Goodwill arising on the acquisition of Alliance Medical Products Inc. (AMP) 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 1 000 CHF (for the years ended December 31)	2013	2012
Theoretical Goodwill		
As of January 1	67 846	–
Additions	–	67 846
As of December 31	**67 846**	**67 846**
Accumulated amortization		
As of January 1	2 638	–
Amortization	4 523	2 638
As of December 31	**7 161**	**2 638**
Theoretical Goodwill December 31	**60 685**	**65 208**

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 1 000 CHF (for the years ended December 31)	2013	2012
Operating result according to Income Statement	40 839	17 923
Amortization of Goodwill	–4 523	–2 638
Theoretical operating result incl. amortization of Goodwill	36 316	15 285
Net profit according to Income Statement	53 851	20 868
Amortization of Goodwill	–4 523	–2 638
Theoretical net profit incl. amortization of Goodwill	49 328	18 230

4. Investment in associated companies and Joint ventures

The former as equity investment held SCI Pharmtech Inc. is no longer classified as associated company due to the loss of significant influence and was reclassified as financial asset which was sold in the second half year of 2013, see Note 1 of the Consolidated Financial Statements.

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 1 000 CHF	**2013**	2012
Burill Life Sciences Capital Fund, San Francisco, USA	128	217
Other non-current assets	30	–
Total financial and other non-current assets	**158**	**217**

The amount capitalized in the Burrill Fund represents the market value of the capital portion according to valuation documents received from the fund. In 2013, a loss of CHF 0.1 million (2012: CHF 0.2 million) was recognized through Income Statement. Miscellaneous securities include various long-term investments, some of which are not traded in an active market. In these cases the management of the fund determines the fair value, applying specific valuation methods. These include comparable transactions on market-conform conditions and discounted cash flow analyses.

In 2013 the Group sold all the SCI Pharmtech Inc. shares and realized a profit of CHF 11.3 million which is recorded in financial income.

6. Income taxes

Income taxes in the Consolidated Income Statement

In 1 000 CHF	2013	2012
Current tax expense	674	63
Deferred tax income	–4 269	–5 764
Total income taxes	**–3 595**	**–5 701**

The average weighted income tax rate of Siegfried is 22%. The Group owns a large amount of tax loss carry forwards. Of these, CHF 38.6 million (2012: CHF 20.0 million) were recognized as of December 31, 2013. Siegfried also has tax losses available which are not recognized in the amount of CHF 234.4 million of which approximatively 40% relate to non-operational entities where future usages will be difficult.

The following unrecognized tax losses are available to Siegfried:

In 1 000 CHF	2013	2012
Expiry of unrecognized tax losses and tax credits		
Within one year	–	–
Between one and five years	53 888	54 222
More than five years	180 463	167 369
Total unrecognized tax losses and tax credits	**234 351**	**221 591**

7. Inventories

In 1 000 CHF	2013	2012
Raw materials	36 227	35 804
Semi-finished goods	37 801	54 102
Finished goods and trading goods	25 094	31 798
Total inventories	**99 122**	**121 704**

In the financial year inventory could be reduced by CHF 22.6 million due to efficient warehouse management. The carrying amount of inventories includes valuation allowances of CHF 6.9 million (2012: CHF 8.8 million). In the Income Statement, CHF 1.9 million (2012: CHF 4.5 million) was written off as impairments to costs of goods sold.

8. Trade receivables

In 1 000 CHF	2013	2012
Trade receivables	62 018	56 042
Allowances for doubtful accounts	– 52	– 188
Total trade receivables	**61 966**	**55 854**

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 0.1 million (2012: CHF 0.2 million) are included in the allowances. As in the previous year there were no receivable losses. In the reporting period CHF 0.1 million (2012: none) 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 2013, aggregating USD 16.3 million (2012: CHF 17.7 million) and EUR 7.0 million (2012: EUR 4.5 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 for an amount of USD 71.6 million (2012: USD 52.0 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 1 000 CHF	2013	2012	2013	2012	2013	2012
Foreign currency swaps	23 577	21 606	512	566	20	12
Interest rate swaps	63 609	47 512	–	–	238	263
Total	**87 186**	**69 118**	**512**	**566**	**258**	**275**

10. Treasury shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2013, the book value of the treasury shares was CHF 33.4 million (2012: CHF 20.4 million). 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 167.

Treasury shares	December 31, 2012	Change	December 31, 2013
Total treasury shares	**198 370**	**63 879**	**262 249**
Total Siegfried shares	**3 800 000**	**–**	**3 800 000**
Total outstanding shares	**3 601 630**	**–63 879**	**3 537 751**

11. Share capital – conditional capital

The share capital of Siegfried Holding AG amounts to CHF 7.6 million, divided into 3.8 million shares with a nominal value of CHF 2 each. Siegfried has a conditional capital of CHF 0.8 million for the creation of 400 000 new shares.

Conditional capital (number of shares)	December 31, 2012	Change	December 31, 2013
Excess from Mandatory Convertible Note (MCN)[1]	50 000	–	50 000
Equity Ownership Plan (EOP)	350 000	–	350 000
Total	**400 000**	**–**	**400 000**

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

12. Financial liabilities

In the second half of 2013 Siegfried was able to terminate the existing syndicated agreement early and replace it with a newly negotiated credit line. This will again be made available by a bank syndicate with an increased volume of CHF 250 million (2012: CHF 150 Mio.) and a duration of five years. 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 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, 2013 USD 86.6 million (2012: USD 52.0 million) were drawn from the credit line.

13. Provisions

In 1 000 CHF	Environmental provisions	Other provisions	Total
As of January 1, 2012	10 181	1 899	12 080
Costs incurred	–58	–591	–649
Additions, interest	10 221	2 462	12 683
Releases of unused provisions	–	–125	–125
Currency translation	–14	–	–14
As of December 31, 2012	**20 329**	**3 645**	**23 974**
Thereof current	9 123	3 145	12 268
Thereof non-current	11 205	500	11 705
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

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 outflows are difficult to predict. In connection with planned construction projects, environmental investigations were performed. Possible remediation obligations of CHF 16.2 million have been provided for (2012: CHF 20.3 million). In the reporting period costs for remediation incurred to CHF 3.8 million (2012: 0.1 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 4% to the present value of the expected expenditures. The discount amounted to CHF 0.2 million (2012: CHF 0.2 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments.

Other provisions relate to transfer costs and other costs in direct connection with the sale transaction with Arena Pharmaceuticals GmbH in 2008 and provisions for other operating risks. In connection with the project "Forum" a provision of CHF 3.4 million for future costs relating to demolition, disposal and wire relocation was recorded. In connection with Arena Pharmaceuticals GmbH, CHF 0.5 million were used for transfer costs. CHF 1.0 million were used for demolition works.

14. Other non-current liabilities

Other non-current liabilities include mainly payments for the development of generic dossiers (down payments) CHF 0.3 million (2012: CHF 2.5 million). They are released over the term of the production contract. There is also a long-term liability in connection with a land exchange for future reconstruction in the fixed amount of CHF 1.8 million (2012: CHF 1.8 million).

Due to the maturity date of the other non-current liability in connection with the acquisition of Alliance Medical Products Inc. (AMP), the liability was reclassified from non-current to current liabilities.

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. Employee benefits and personnel expenses

In 1 000 CHF	2013	2012
Wages and salaries	87 123	79 749
Share-based payments	11 943	20 829
Pension expense	6 452	6 711
Expenses for other long-term employee benefits	225	241
Social and other personnel expenses	17 409	14 452
Total personnel expenses	**123 152**	**121 982**

In the year under review, the average number of employees (in full-time positions) was 917 (2012: 832).

Pension liabilities and economic benefits are as follows:

	Excess/insuf-ficient 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 1 000 CHF	31/12/2013	31/12/2013	31/12/2012	31/12/2013	2013	2013	2012
Pension schemes without excess/ insufficient cover (CH)	24 670	57	220	163	5 117	5 280	4 488
Pension costs (CH)	−436	−436	−606	−170	204	34	313
Pension schemes without excess/in-sufficient cover (D)	0	0	0	0	0	0	243
Pension schemes without excess/ insufficient cover (USA)	−392	−392	−457	−65	1 203	1 138	1 068
Total	**23 842**	**−771**	**−843**	**−72**	**6 524**	**6 452**	**6 112**

	Nominal value	Waiver of usage	Other value adjustments	Balance Sheet asset		Result from ECR in personnel expenses	
In 1 000 CHF	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2012	2013	2012
Welfare funds (CH)	0	0	0	0	7 073	−7 073	139
Pension schemes (CH)	8 466	0	0	8 466	0	8 466	0
Total [1]	**8 466**	**0**	**0**	**8 466**	**7 073**	**1 393**	**139**

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

17. Share-based payments

Siegfried makes some of its payments in the form of share based remuneration. In 2010, in order to support the turnaround, an Equity Ownership Plan (EOP) was introduced. As a result of the Siegfried Group's turnaround that was achieved quickly and successfully, the EOP was terminated early at the end of 2013. In order to be able to offer the Siegfried Group's management a fair and market conform total remuneration package for the long term, the Board of Directors has replaced at January 1, 2014 the second plan phase of EOP by a rolling Long Term Incentive Plan (LTIP) and converted the annual performance based bonus programme into a Short Term Incentive Plan (STIP). As at the end of the financial year 2013 the EOP was converted into the LTIP and Phase 2 therefore is superfluous, with the allocation of the Leverage Shares from plan period 1 the EOP is deemed to be concluded. All claims arising from the EOP have been recognized as personnel costs and expensed in the years 2010 to 2013.

The EOP (Equity Ownership Plan), which was introduced for the Board of Directors, Executive Management and Senior Management in June 2010 (EOP 2010) and for Management in January 2012 (EOP 2012), consists of the following three elements:

- Initial Shares (or Initial Investment), which could be purchased as a starting investment
- Restricted Bonus Shares
- Allocation of Leverage Shares in spring 2014, if specifically defined performance goals are achieved in 2013.

The definitive allocation for period 1 (2010 to 2013) will be made on March 14, 2014. In total 398 981 Leverage Shares will be allocated, of which 350 000 will be created out of conditional capital and 48 981 allocated out of the treasury shares held by Siegfried Holding AG.

In detail the EOP is as follows:

Board of Directors
The Initial Investment is blocked for a period of four years. The shares invested in or purchased are allocated over the entire period with a conversion factor of CHF 80 per share. The fair value of the shares was established at allocation on the basis of the stock exchange closing price. In addition the Directors will receive Leverage Shares in 2014 dependent on pre-defined financial key figures (Enterprise Value and return on capital employed, ROCE) and the realisation of set strategic targets, if they have been in the plan for at least 12 months. The number of shares is influenced by the amount and duration of the capital invested. The Directors in office have of their own accord agreed to a reduction of the maximum leverage from 4.5 to 3 and waived the allocation of Leverage Shares on the Bonus Shares. Therefore the Directors in office will be allocated Leverage Shares only on the self-financed shares (Initial Shares). The Directors, who retired in 2011 and 2012, have also agreed to a reduction of the leverage on the self-financed Initial Shares and Bonus Shares. As a result of achieving the objectives for Period 1 of the plan, the Directors will be allocated 2.55 Leverage Shares per share purchased. This results in an allocation of in total 42 866 Leverage Shares for the Directors. Half of the Leverage Shares are blocked for one year, half for two years. On withdrawal, purchased and allocated shares remain the property of the beneficiary, but the restriction period continues to run.

Executive Management and Management
The Initial Investment is blocked for a period of four years. The bonuses of the members of Executive Management for the years 2010 to 2013 are paid as to 70% in Siegfried shares blocked for a period of three years, those for Management depending on their grade as to 20% to 40%. The shares invested in or purchased are allocated over the entire period with a conversion factor of CHF 80 per share. The fair value of the shares was established at allocation on the basis of the stock exchange closing price. In addition the members of Executive Management and of Management will receive Leverage Shares in 2014 dependent on pre-defined financial key figures (Enterprise Value and return on capital employed, ROCE) and the realisation of set strategic targets, on condition that at December 31, of the prior year they are not under notice (exceptions: early retirement, death/disability, if they have been in the plan for at least twelve months). The number of shares is influenced by the amount and duration of the capital invested and by the number of shares purchased during the years. As a result of achieving the objectives for Period 1 of the plan, the members of Executive Management and of the Senior Management will be allocated 3.82 Leverage Shares per share acquired. This results in an allocation of in total 307 380 Leverage Shares for the members of Executive Management and of Senior Management. Half of the Leverage Shares are blocked for one year, half for two years. On withdrawal, purchased and allocated shares remain the property of the beneficiary, but the restriction period continues to run.

The plan for Management foresees a reduced leverage. As a result of achieving the objectives for Period 1 of the plan, the Lower Management members will be allocated 1.91 Leverage Shares per share purchased. This results in an allocation of in total 48 735 Leverage Shares.

For the reporting period share-based bonus accruals of CHF 2.2 million (2012: CHF 2.7 million) have been recorded, which will be allocated to the plan members in the form of restricted shares. For the Leverage Shares, which will be allocated in 2014, in the reporting period expenses of CHF 10.3 million (2012: CHF 15.5 million) were recognized for EOP 2010 and CHF 2.8 million (2012: CHF 2.1 million) for EOP 2012.

In the reporting period no expense has been recognized for the two new plans, Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP), because they do not start before 2014.

In addition to the Equity Ownership Plan for the Board of Directors, members of Executive Management and Management (EOP) the ordinary Employee Share Purchase Plan – ESPP still exists. The total costs for the ESPP amounted in the reporting period to CHF 0.1 million. (2012: CHF 0.1 million). In this period 2 109 shares (2012: 2 585 shares) were purchased from the ESPP. The total funds accumulated in the ESPP at December 31, 2013 by the plan members entitle them to receive 183 shares (2012: 230 shares).

18. Other operating income

Other operating income includes CHF 0.2 million for royalty income (2012: CHF 0.5 million), CHF 0.3 million for environmental compensation (2012: CHF 0.3 million), CHF 2.8 million gain from the sale of tangible assets (2012: CHF 4.9 million) and CHF 0.9 million for other several income (2012: CHF 1.1 million). Based on the results achieved by Alliance Medical Products Inc. (AMP) by December 31, 2013 the current liability for the earn-out was reduced by USD 5.0 million (CHF 4.6 million) which was recognized as other operating income.

19. Financial result

The financial result comprises CHF 3.1 million (2012: CHF 2.3 million) financial expenses, of which CHF 2.8 million (2012: CHF 1.8 million) for debt interest and fees, CHF 11.8 million (2012: CHF 0.2 million) financial income, of which CHF 11.3 million from the sale of the shares in SCI Pharmtech Inc., Taoyuan (Taiwan), and CHF 0.7 million (2012: CHF –0.7 million) from exchange differences.

20. 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.

	2013	2012
Net profit attributable to Siegfried shareholders (in 1 000 CHF)	53 851	20 868
Weighted average number of shares outstanding	3 572 407	3 622 543
Undiluted earnings per share	**15.07**	**5.76**
Net profit attributable to Siegfried shareholders (in 1 000 CHF)	53 851	20 868
Weighted average number of shares outstanding	3 572 407	3 622 543
Adjustment for assumed exercise of share-based payments, where dilutive	350 000	135 133
Diluted earnings per share	**13.73**	**5.55**

21. Distribution per share

For the financial year 2013 the Board of Directors proposes the distribution of CHF 1.50 per share from the capital contribution reserves (2012: CHF 1.20 per share). If this is approved by the Annual General Meeting on March 26, 2014, it will result in a total payment of CHF 5.8 million to the shareholders. The pay-out listed in the proposal of the Board of Directors was calculated based on the number of shares entitled for distribution at the date the resolution was made by the Board of Directors plus 350 000 shares from the conditional capital related to the EOP. The number of shares entitled for distribution may change by the time of the Annual General Meeting on March 26, 2014 as a result of the issue of shares to employees or the purchase or sale of treasury shares.

22. 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. As of December 31, 2013, contingent liabilities amount to CHF 0.9 million (2012: CHF 0.9 million). See note 2 regarding the contingency related to the "Forum-Sale". On December 31, 2013, Siegfried Holding AG gave guarantees to banks in the amount of USD 4.0 million (2012: USD 4.0 million) to serve as securities for leasing transactions.

23. Maturity of rental and lease liabilities

	Operating leases	Operating leases
In 1 000 CHF	**2013**	2012
Due under 1 year	1 653	1 460
Due between 1 and 2 years	1 967	1 478
Due between 2 and 3 years	2 088	1 074
Due between 3 and 4 years	2 087	993
Due between 4 and 5 years	2 118	995
Due after 5 years	14 448	2 086
Total lease liabilities	**24 361**	**8 086**

Of these liabilities CHF 17.8 million relate to the new administration bulding in Zofingen, CHF 0.3 million (2012: CHF 0.7 million) to the production facility in Malta and CHF 5.7 million (2012: CHF 6.7 million) to the production site in Irvine, California.

24. Transactions with related parties

The companies owned by Siegfried are listed in Note 1 "Scope of consolidation". From the associated company SCI Pharmtech Inc., Taiwan, held until the end of June 2013, in the first half of the reporting period products to the value of CHF 0.4 million (2012: CHF 1.3 million) were purchased. All transactions between fully consolidated companies have been eliminated in the consolidation process and are not disclosed in this note.

In the reporting period Siegfried acquired from the pension fund 10 000 Siegfried shares at a price of CHF 1.6 million (market value at the date of the transaction). In addition in the year under review Siegfried acquired 7 000 Siegfried shares at a price of CHF 1.1 million from a member of the Board. The shares were repurchased at the price prevailing on the transaction date.

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 5 and 6 and in the Notes of the Siegfried Holding AG financial report according to Art. 663b^{bis} OR.

25. 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	2013	2012
Sales of products	366.6	359.7
Services	8.3	8.1
Total net sales	**374.9**	**367.8**

Net sales by product group

In CHF million	2013	2012
Drug Substances	274.1	270.3
Drug Products	100.8	97.5
Total	**374.9**	**367.8**

Geographic information[1]

The most important markets are Western Europe and the USA.

In CHF million	2013	2012
USA	126.1	149.2
Switzerland	94.9	79.6
Other regions	153.9	139.0
Total	**374.9**	**367.8**

[1] by location of customers

26. Events after the reporting period

Based on the target achievement under the Equity Ownership Plan (EOP), at its meeting on February 20, 2014 the Board of Directors resolved to make available 350 000 of the 398 981 Leverage Shares out of conditional capital and 48 981 from treasury shares. The Leverage Shares will be allocated on March 14, 2014. This leads to an increase in share capital from CHF 7.6 million to CHF 8.3 million and in the number of shares by 350 000 from 3.8 million to 4.15 million.

There are no other 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 consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes (pages 127 to 159), for the year ended 31 December 2013.

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 31 December 2013 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

Karen Schmitt
Audit expert

Basel, February 24, 2014

pwc

Financial Statements Siegfried Holding AG

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Balance sheet of Siegfried Holding AG

In CHF (as of December 31)	2013	2012
Assets		
Non-current assets		
Fixed assets	1 216	1 750
Intangible assets	4 289	7 149
Investments in subsidiaries and affiliates	165 553 976	145 445 281
Loans to subsidiaries	256 925 901	240 053 301
Total non-current assets	**422 485 382**	**385 507 481**
Current assets		
Other receivables third parties	3 279	6 316
Other receivables subsidiaries	200 435	500
Accrued income and prepaid expenses	1 363 970	1 339 120
Securities	33 326 397	20 045 515
Cash and cash equivalents	32 444 262	21 551 738
Total current assets	**67 338 344**	**42 943 189**
Total assets	**489 823 726**	**428 450 670**

In CHF	2013	2012
Liabilities and shareholders' equity		
Shareholders' equity		
Share capital	7 600 000	7 600 000
Legal reserves	2 800 000	2 800 000
Capital contribution reserves	66 178 577	70 462 270
Reserve for treasury shares	33 413 955	20 429 605
Free reserves	234 913 225	247 897 575
Retained earnings	72 257 362	56 955 593
Total shareholders' equity	**417 163 120**	**406 145 043**
Non-current liabilities		
Financial liabilities to third parties	31 982 000	–
Total non-current liabilities	**31 982 000**	**–**
Current liabilities		
Financial liabilities to third parties	7 996 000	–
Financial liabilities to subsidiaries	23 833 843	21 114 651
Other liabilities to third parties	207 242	252 671
Accrued expenses	8 641 520	938 305
Total current liabilities	**40 678 606**	**22 305 627**
Total liabilities	**72 660 606**	**22 305 627**
Total liabilities and shareholders' equity	**489 823 726**	**428 450 670**

Income Statement of Siegfried Holding AG

In CHF	2013	2012
Income		
Financial income	19 317 786	6 622 515
Service income	9 580 406	9 243 821
Income from investments	–	48 640 001
Total income	**28 898 192**	**64 506 337**
Expenses		
Administrative expenses	9 676 236	4 024 726
Financial expenses	3 850 727	747 245
Taxes	66 066	73 726
Depreciation	3 393	15 913
Impairment of investments in subsidiaries and loans	–	2 689 134
Total expenses	**13 596 423**	**7 550 744**
Net profit	**15 301 769**	**56 955 593**

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. The transition period for the application ends two years after the effective date. Thus, the financial statements for the year ending 31 December 2015 will be prepared according to the new accounting law.

Guarantees and securities

The guarantees and securities amount to CHF 275.0 million (2012: CHF 165.0 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, 2013, Siegfried Group used the credit line in the amount of USD 86.6 million (2012: USD 52.0 million). At December 31, 2013, there were guarantees from Siegfried Holding AG to the banks in the amount of USD 4.0 million (2012: USD 4.0 million) to secure lease transactions of subsidiaries.

Insurance value of fixed assets

CHF 0.1 million (2012: CHF 0.1 million).

Balance Sheet

Investments

In 2013 Sigamed AG merged with Siegfried Finance AG. As of December 31, 2013, Siegfried Holding AG hold the following investments:

Company	Domicile	Scope	Currency	Participation	**Share capital December 31, 2013**	Share capital December 31, 2012
Siegfried AG	Zofingen (Switzerland)	Production	CHF	100.00%	20 000 000	20 000 000
Siegfried International AG	Zofingen (Switzerland)	Production, trade	CHF	100.00%	2 000 000	2 000 000
Siegfried Hong Kong Ltd.	Hong Kong (CN)	Trade, finance and administration	HKD	100.00%	1 000	1 000
Siegfried Finance AG	Zofingen (Switzerland)	Finance and administration	CHF	100.00%	14 000 000	14 000 000
Sigamed AG	Baar (Switzerland)	Finance and administration	CHF	100.00%	–	500 000
Siegfried USA Holding Inc.	Pennsville, NJ (USA)	Finance and administration	USD	100.00%	3 000	3 000
Siegfried Deutschland Holding GmbH	Lörrach (Germany)	Finance and administration	EUR	100.00%	1 790 000	1 790 000

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 intangible assets include capitalized software.

Current assets
Securities are stated at the lower of cost or market value at the balance sheet date.

Shareholders' equity
The share capital of CHF 7.6 million comprises 3 800 000 registered shares of CHF 2 nominal value each. Ordinary reserves remain unchanged at CHF 2.8 million. Siegfried Holding AG has capital contribution reserves of CHF 66.2 million (2012: CHF 70.5 million). The reserve for treasury shares increased by CHF 13.0 million from free reserves, reflecting the net value of purchases and sales during the reporting period, measured at cost.

Conditional capital
Siegfried remains conditional capital of CHF 0.8 million for the creation of 400 000 new shares, of which 350 000 are reserved for the Equity Ownership Plan (EOP).

Treasury shares
During the reporting period, Siegfried Holding AG and one of its subsidiaries have purchased and sold Siegfried shares, resulting in a net increase of 63 879 shares.

CHF	Number of shares	Average prices
At January 1, 2012	**182 675**	**94.0**
Purchases Jan.–Dec. 2012	180 599	103.8
Sales Jan.–Dec. 2012	– 164 904	94.8
At December 31, 2012	**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**

Liabilities
In the second half year under review Siegfried was able to terminate the existing syndicated agreement early and replace it with a newly negotiated credit line. This will again be made available by a bank syndicate and has an icreased volume of CHF 250 million for the Group with a duration of five years. As of December 31, 2013 USD 86.6 million (2012: USD 52.0 million) were drawn from the credit line from the whole Group. The portion of Siegfried Holding AG amounted to USD 45.0 million (2012: none).

Accrued expenses and deferred income include the deferrals and accruals of various income and expense items.

Income statement

As in the previous year there was no dividend income from subsidiaries. Financial income consists of interest on receivables from subsidiaries, foreign exchange gains and income from the securities portfolio. Service income relates to services provided to subsidiaries.

Financial expenses include interest on loans from third parties and subsidiaries, exchange losses and valuation adjustments on loans to subsidiaries.

Content and procedure for determining remuneration and participation programmes

The Board of Directors nominates the members of the Human Resources Committee (HRC), determines their responsibilities and approves their decisions concerning the Group's remuneration system.

The HRC is responsible for designing the remuneration system for the Directors and Top Management. It evaluates the remuneration principles and systems and ensures that the remuneration paid by the company is based on market-conform and performance-based criteria. At least once a year the HRC reports to the Board of Directors on the remuneration procedures and on the remuneration of managers and, if necessary, proposes changes in the remuneration system.

The members of the Board of Directors receive an annual fee, consisting of a base fee for the appointment as Director and additional fees for individual functions as Chairman, Deputy Chairman or Chair of a Committee of the Board. Supplementary the Board receive shares as long term remuneration which are blocked for three years. In addition, inconvenience remuneration is paid in the form of lump-sum expenses approximating the effective outlays.

The members of the Executive Management, including the CEO, receive salaries, bonuses and other remuneration elements in accordance with the remuneration principles. In addition, inconvenience remuneration is paid in the form of lump-sum expenses approximating the effective outlays. As in the previous year, the highest total remuneration was received in 2013 by the CEO.

The Equity Ownership Plan or EOP was introduced for the members of the Board of Directors, the Executive Management and the management.

The plan consists of an initial investment, bonus shares and leverage shares, which will be allocated in 2014 according to the achievement of the set goals. Initial investment shares are blocked for four years, and the bonus shares are blocked for three years. Half of the leverage shares are blocked for one year, the other half is blocked for two years.

For further details please refer to note 17 of the Consolidated Financial Statements and the separate Remuneration Report.

The following tables show the remuneration of the Board of Directors and the Executive Management in compliance with Art. 663b^{bis} CO. In the 2013 financial statements disclosure has been changed from recognizing remuneration based on tax values to remuneration in accordance with Swiss GAAP FER. In addition the Directors' remuneration is no longer annualized, but reported by period of office. The prior year figures have been restated accordingly.

Board of Directors	Base fee	Fee for assuming specific functions	Lump sum expense allowance	Total cash payment	Share-based remuneration term of office[1]	Share-based remuneration under EOP[2]	Employer contributions to social security[3] and pension fund[4]	**Total 2013**
Gilbert Achermann (Chairman)	150 667	6 667	20 000	177 334	151 950	278 509	59 802	667 595
Dr. Andreas Casutt (Member)	64 667	6 667	10 000	81 334	59 933	234 530	32 643	408 440
Reto Garzetti (Member)	44 667	–	10 000	54 667	63 783	278 509	31 065	428 024
Dr. Felix K. Meyer (Member)	44 667	13 333	10 000	68 000	59 933	187 624	26 956	342 513
Dr. Thomas Villiger (Member)	44 667	20 000	10 000	74 667	63 783	74 269	14 344	227 063
Colin Bond[5] (Member)	40 000	13 333	6 667	60 000	39 400	–	5 728	105 128
Total acting Board of Directors December 31, 2013	**389 335**	**60 000**	**66 667**	**516 002**	**438 782**	**1 053 441**	**170 538**	**2 178 763**

The remuneration figures shown in the table are gross and are based on the accrual principle
1 Contains the pro rata, share-based remuneration amounts for the 2013 financial year from the 2012/2013 term of office (Bonus Shares under EOP) as well as the 2013/2014 term of office (share component of fixed Board remuneration) as per Swiss GAAP FER
2 Pro rata remuneration for 2013 from allocation of Leverage Shares under EOP, as per Swiss GAAP FER
3 Incl. social security deductions of Bonus Shares from the 2012/2013 term of office allocated in 2013, the pro rata share component of the fixed Board remuneration for the 2013/2014 term of office, as well as the portion of EOP Leverage Shares (plan period 2010–2013) attributable to 2013
4 As an independent Board member, G. Achermann's fixed remuneration is insured in the Siegfried pension fund
5 New Board member since May 2013

Executive Management	Fixed cash remuneration	Performance-based remuneration (cash)	Total cash payments	Share-based remuneration[1]	Share-based remuneration under EOP[2]	Employer contributions to social security[3] and pension fund	**Total remuneration 2013**
Highest individual remuneration: Dr. Rudolf Hanko	570 000	77 932	647 932	415 287	1 202 588	265 860	2 531 667
Other members of the Executive Management	2 311 450	274 883	2 586 333	744 464	3 782 915	869 357	7 983 069
Total (at December 31, 2013)	**2 881 450**	**352 815**	**3 234 265**	**1 159 751**	**4 985 503**	**1 135 217**	**10 514 736**

The remuneration figures shown in the table are gross and are based on the accrual principle
1 Contains remuneration linked to blocked EOP Bonus Shares as well as to blocked shares linked to CEO's overall remuneration package. All values as per Swiss GAAP FER
2 Pro rata remuneration for 2013 from allocation of Leverage Shares under EOP, as per Swiss GAAP FER
3 incl. social security deductions of EOP Bonus Shares and Leverage Shares as well as blocked shares due to the CEO allocated in 2013

Board of Directors	Base fee	Fee for assuming specific functions	Lump sum expense allowance	Total cash payment	Share-based remuneration term of office[1]	Share-based remuneration under EOP[2]	Employer contributions to social security[3] and pension fund[4]	Total 2012
Gilbert Achermann (Chairman)	132 000	18 334	20 000	170 334	219 450	345 120	70 143	805 047
Dr. Andreas Casutt (Member)	27 333	13 333	10 000	50 666	61 600	386 779	46 612	545 657
Reto Garzetti (Member)	14 000	–	10 000	24 000	73 150	345 120	34 994	477 264
Dr. Felix K. Meyer (Member)	14 000	–	10 000	24 000	61 600	309 424	36 950	431 974
Dr. Thomas Villiger (Member)	14 000	20 000	10 000	44 000	83 891	92 032	14 738	234 661
Total acting Board of Directors December 31, 2012								
Dr. Thomas Staehelin[5] (Vicepresident)	11 333	6 667	3 332	21 332	20 533	249 959	28 185	320 009
Dr. Beat In-Albon[6] (Member)	12 169	–	4 165	16 334	24 383	–	1 857	42 574
	224 835	**58 334**	**67 497**	**350 666**	**544 607**	**1 728 434**	**233 479**	**2 857 186**

The remuneration figures shown in the table are gross; they have been restated in line with the accrual principle
[1] Value of allocated/blocked Bonus Shares issued under EOP, as per Swiss GAAP FER
[2] Pro rata remuneration for 2012 from allocation of Leverage Shares under EOP, as per Swiss GAAP FER
[3] Incl. social security deductions of Bonus Shares from the 2011/2012 and 2012/2013 terms of office allocated in 2013, as well as the portion of EOP Leverage Shares (plan period 2010–2013) attributable to 2012
[4] As an independent Board member, G. Achermann's fixed remuneration is insured in the Siegfried pension fund
[5] Mr Staehelin resigned at the General Meeting on April 20, 2012
[6] Mr In-Albon left the Board of Directors on May 30, 2012

Executive Management	Fixed cash remuneration	Performance-based remuneration (cash)	Total cash payments	Share-based remuneration[1]	Share-based remuneration under EOP[2]	Employer contributions to social security[3] and pension fund	Total remuneration 2012
Highest individual remuneration: Dr. Rudolf Hanko	570 000	85 390	655 390	389 227	1 983 267	341 764	3 369 648
Other members of the Executive Management	2 051 549	468 032	2 519 581	799 496	5 188 169	964 791	9 472 038
Total (at December 31, 2012)	**2 621 549**	**553 422**	**3 174 971**	**1 188 723**	**7 171 437**	**1 306 555**	**12 841 686**

The remuneration figures shown in the table are gross and are based on the accrual principle
[1] Contains remuneration linked to blocked EOP Bonus Shares as well as to blocked shares linked to CEO's overall remuneration package. All values as per Swiss GAAP FER
[2] Pro rata remuneration for 2012 from allocation of Leverage Shares under EOP, as per Swiss GAAP FER
[3] Incl. social security deductions of EOP Bonus Shares and Leverage Shares as well as blocked shares due to the CEO allocated in 2012

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, 2013, 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 of the Executive Management or to persons closely related to them.

Share ownership of the Board of Directors and the Executive Management
On December 31, 2013, the non-executive members of the Board of Directors and persons closely related to them owned 29 550 (2012: 32 772) registered shares of Siegfried Holding AG. This represents 0.8% (2012: 0.9%) 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 63 012 (2012: 47 756) registered shares, i.e. 1.7% (2012: 1.3%) of the share capital of Siegfried Holding AG.

December 31, 2013

Board of Directors	Function	Number of shares	of which blocked[1]
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

[1] Number of blocked shares from Equity Ownership Plan (EOP) and Employee Share Purchase Plan (ESPP)

December 31, 2012

Board of Directors	Function	Number of shares	of which blocked[1]
Gilbert Achermann	Chairman	15 850	5 850
Dr. Andreas Casutt	Deputy Chairman	5 620	4 950
Reto Garzetti	Member	4 450	4 450
Dr. Felix K. Meyer	Member	5 152	4 386
Dr. Thomas Villiger	Member	1 700	1 700
Executive Management			
Dr. Rudolf Hanko	CEO	17 830	16 740
Michael Hüsler	CFO	5 771	5 741
Peter A. Gehler	Head Corporate Center	5 084	5 025
Dr. René Imwinkelried	Head Research & Development	2 300	2 300
Dr. Walter Kittl	Head Technical Operations	4 168	4 069
Arnoud Middel	Head Human Resources	1 820	1 820
Marianne Späne	Head Business Development & Sales	6 531	5 697
Dr. Wolfgang Wienand	Head Strategy & M&A	4 252	4 252

[1] Blocked shares from Equity Ownership Plan (EOP) and Employee Share Purchase Plan (ESPP).

Major shareholders

Shareholders representing more than 3.0% relating to the number of Siegfried shares at year end of 3 800 000 (2012: 3 800 000):

- According to its own statement, Tweedy, Browne Company LLC, New York, USA, holds an interest of 9.9% of the shares of Siegfried Holding AG (2012: 9.9%).
- Rainer-Marc Frey holds 9.5% (2012: 10.3%) 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 3.6% (2012: 3.6%) of the shares in Siegfried Holding AG.

The percentage held by SE Swiss Equitys has fallen below 3% (2012: 5.9%) therefore they are no longer disclosed as major shareholder.

Risk management

The Board of Directors and Management are responsible for the risk management process of the Siegfried Group, in which the risks of Siegfried Holding AG are included. In this connection the business risks and their development are analyzed, and it is ensured that the measures necessary for their limitation are taken. Special attention is paid to financial reporting risks. A more detailed description of the risk assessment can be found in the Notes to the Consolidated Financial Statements under "Risk management" on page 139.

Proposal of the Board of Directors to the Annual General Meeting of March 26, 2014 regarding appropriation of the retained earnings and the distribution from capital contribution reserves

In CHF	2013
Net profit	15 301 769
Balance brought forward	56 955 593
Retained earnings	72 257 362
Appropriation of retained earnings to free reserves	72 257 362
Balance to be carried forward	**0**
Capital contribution reserves as of December 31, 2013	66 178 577
Distribution of CHF 1.50 per registered share on 3 894 994 distribution entitled shares	–5 842 491
Captial contribution reserves carried forward	**60 336 086**

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 Board meeting. In addition 350 000 shares will be created out of conditional capital relating to the EOP. The number of shares entitled for distribution can still change up to the Annual General Meeting on March 26, 2014 depending on the distribution of shares to employees or purchase/sale of own shares.

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 164 to 174), for the year ended 31 December 2013.

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 2013 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	Karen Schmitt Audit expert

Basel, February 24, 2014

pwc

Key figures overview 2009 – 2013, consolidated figures[1]

		2013	2012	2011	2010	2009
Net sales	CHF million	374.9	367.8	328.1	314.4	283.0
Growth	in %	2.0	12.1	4.4	11.1	–2.2
EBITDA	CHF million	65.6	45.4	36.5	28.1	25.3
Growth	in %	44.7	24.1	30.1	11.1	–51.3%
EBITDA margin	in %	17.5	12.3	11.1	8.9	8.9
EBITDA before special charges excl. costs for EOP	CHF million	74.3	63.8	43.2	31.4	n/a
Growth	in %	16.6	47.7	37.4	n/a	n/a
EBITDA margin	in %	19.8	17.3	13.2	10.0	n/a
Operating profit (EBIT)	CHF million	40.8	17.9	12.5	–4.4	–27.7
Growth	in %	127.9	43.5	n/a	n/a	n/a
Operating margin	in %	10.9	4.9	3.8	n/a	n/a
Annual result	CHF million	53.9	20.9	9.7	–14.0	–35.3
Net profit/(-loss)-margin	in %	14.4	5.7	3.0	n/a	n/a
Net cash/(net debt)	CHF million	50.4	25.8	52.6	41.2	–63.3
Net Working Capital[2]	CHF million	130.1	137.0	122.2	104.7	132.9
As % of net sales		34.7	37.3	37.2	33.3	47.0
Total assets	CHF million	537.8	477.4	430.6	464.1	477.1
Equity	CHF million	362.4	316.3	353.5	373.7	327.3
Equity ratio	in %	67.4	66.3	82.1	80.5	68.6
Enterprise Value (EV)[3]		663.4	497.4	255.6	113.2	101.8
Average capital employed[4]	CHF million	331.5	327.8	301.4	384.0	412.8
Return on capital employed (average) ROCE[5]	in %	22.4	19.4	14.3	8.2	6.1
Cash flow from operating activities	CHF million	67.5	54.3	29.4	57.7	45.4
As % of net sales		18.0	14.8	8.9	18.4	16.1
Free cash flow	CHF million	23.5	38.4	27.7	44.7	12.3
As % of net sales		6.3	10.5	8.4	14.2	4.4
Investments in PPE and intangible assets	CHF million	51.9	22.8	13.5	13.0	33.1
As % of net sales		13.8	6.2	4.1	4.1	11.7
Depreciation and amortization/impairment	CHF million	24.8	27.4	24.1	32.5	48.8
As % of net sales		6.6	7.5	7.3	10.3	17.2
Employees[6]	Number	917	832	715	696.0	823
Change vs. previous year	%	10.2	16.4	2.7	–15.4	–0.4
Sales per employee	CHF	408 877	442 012	458 874	451 700	343 864
Change vs. previous year	%	–7.5	–3.7	1.6	31.4	–1.8

[1] 2009/2010 IFRS, from 2011 Swiss GAAP FER
[2] Calculation of net working capital: Trade Receivables + Inventories – Trade Payables
[3] Calculation of Enterprise Value: EBITDA excl. costs for Equity Ownership Plan * EBITDA margin * 45; calculation EV 2013: CHF 74.3 million *(0.1983*45) = CHF 663.4 million
[4] Calculation of capital employed: PPE + Intangible Assets + Net Working Capital
[5] Calculation ROCE: EBITDA excl. costs for EOP in relation to average capital employed over 12 months.
[6] Year-end values

Stock market data

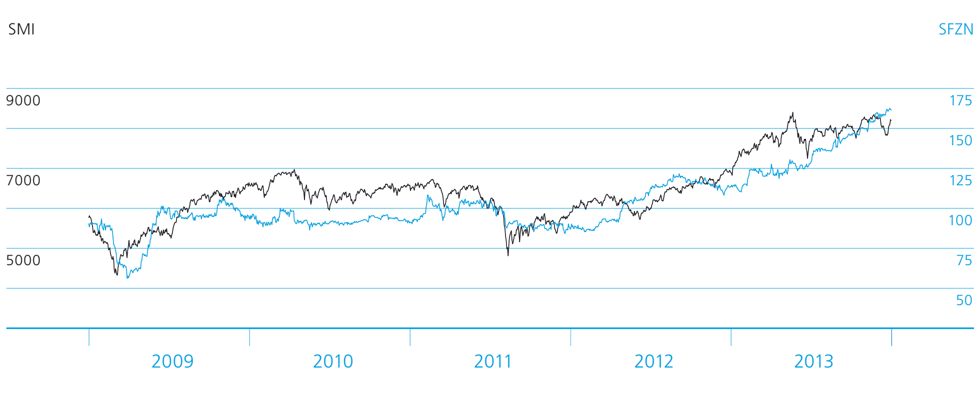
			2013	2012	2011	2010	2009
Registered shares nom. CHF 2			3 800 000	3 800 000	3 800 000	2 929 410	2 800 000
Share capital		CHF million	7.6	7.6	7.6	5.9	5.6
Gross dividend per registered share[1]		CHF	1.50	1.20	1.00	0	0
Total dividend paid		CHF	5 700 000	4 560 000	3 800 000	–	–
Market prices registered share	high	CHF	163.5	122.0	110.0	102.0	107.0
	low	CHF	109.3	83.7	80.0	86.1	54.4
Year-end		CHF	161.6	114.3	89.8	90.5	93.5
Dividend yield per registered share[2]		%	0.9	1.0	1.1	0	0
Earnings per share – EPS[3]		CHF	15.07	5.76	2.61	–1.25	–12.79
Earnings per share – EPS – diluted[4]			13.73	5.55	2.55	–1.25	–12.79
Consolidated operating cash flow per registered share[3]		CHF	19.0	15.0	8.0	16.5	16.5
Consolidated equity and reserves per registered share[3]		CHF	101.5	87.3	96.3	110.6	118.7
P/E ratio (year-end)[2]			12	21	35	n/a	n/a
Market capitalization at year-end[3]		CHF million	572	413	329	344	262

[1] For 2013 proposal to the General Meeting
[2] Calculated on the basis of year-end share price and diluted EPS
[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, 2009 to December 31, 2013



Shareholder Base

As of December 31, 2013, 2 515 shareholders were registered in the Siegfried Holding AG share registry, holding 65.16% of the total share capital. The share holdings include:

Number of shareholders	Shareholders	Shares	%
1 – 10	283	1 760	0.05
11 – 100	1 108	61 716	1.62
101 – 1 000	910	283 096	7.45
1 001 – 10 000	179	575 128	15.13
10 001 – 100 000	31	871 115	22.92
100 001 – 1 000 000	4[1]	998 193	26.27
	2 515	2 791 008	73.45
Treasury shares and non-registered shares	n. a.	1 008 992	26.55
Total shares	**2 515**	**3 800 000**	**100.00**

The equity holdings by segment as of December 31, 2013 include:

Major shareholders as of December 31, 2013 divided into segments	Shareholders	Shares	%
Important shareholders (over 3%)	4[1]	998 193	26.27
Private individuals	2 308	999 097	26.29
Institutional shareholders	203	793 718	20.89
Treasury shares and non-registered shares	n. a.	1 008 992	26.55
	n. a.	**3 800 000**	**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.

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 2014, the company will inform about the course of business as follows:

March 4, 2014:
Publication of results for the 2013 business year at a media and analyst conference in Zurich

March 26, 2014:
Annual General Meeting of Shareholders

August 22, 2014:
Publication of semi-annual figures for 2014

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 2013 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.