

# Financial Report

In 2015, Siegfried generated record net sales of 480.6 million. The EBITDA and EBIT operating results rose by approximately 30%. For the first time, the Hameln site was fully integrated in the results and the sites in Minden, Evionnaz and St. Vulbas acquired from BASF for the last quarter. Despite higher financial expenses and lower tax credits, net profit grew marginally.

# Key Figures

	2015	2014	Change CHF (LC)
Net sales (million CHF)	480.6	315.3	+ 52.4% (+57.9%)
Gross profit (million CHF)	90.7	72.8	24.6%
Gross profit margin (%)	18.9%	23.1%	
EBITDA (million CHF)	77.1	58.8	31.1%
EBITDA margin (%)	16.0%	18.6%	
EBIT (operating result) (million CHF)	43.4	34.0	27.6%
EBIT margin (%)	9.0%	10.8%	
Net profit (million CHF)	39.1	38.6	1.4%
Net profit-margin in percentage	8.1%	12.2%	
Non-diluted earnings per share (CHF)	9.89	9.97	-0.8%
Diluted earnings per share (CHF)	9.76	9.92	-1.6%
Cash flow from operating activities (million CHF)	23.1	24.6	-6.4%
Investment in property, plant and equipment and intangible assets (million CHF)	95.0	82.0	15.8%
	<b>December 31, 2015</b>	December 31, 2014	Change
Equity (million CHF)	492.7	382.8	28.7%
Total assets (million CHF)	1 003.9	629.6	59.5%
Equity as a percentage of total assets	49.1%	60.8%	
Employees (number of full time positions)	2 238	1 374	62.9%

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# Financial Commentary 2015

## Strong Sales Growth

In the financial year 2015 Siegfried generated sales of CHF 480.6 million. Compared with the prior year this represents growth of 52.4% in CHF or 57.9% in local currencies. Sales in Drug Substance increased by 42.1% (+43.4% in local currencies) to CHF 333.2 million. Drug Products recorded an increase of 82.4% (+100.0% in local currencies) to CHF 147.4 million. Divided over the first and second halves of the year, in the first half sales of CHF 200.7 million were achieved and in the second half CHF 279.9 million.

At the end of September 2015 Siegfried took over the pharmaceutical supply business of BASF with the three sites, Evionnaz (Switzerland), Minden (Germany), and St. Vulbas (France). Accordingly the figures of one quarter of the year from these new sites were consolidated in 2015. In addition the contribution to sales and the result of Hameln Pharma acquired at the end of 2014 was fully effective in 2015. Corrected by these acquisition effects the sales growth in 2015 lay in the single digit percentage area.

## Significant Increase in EBITDA

In 2015 Siegfried earned an EBITDA of CHF 77.1 million (prior year CHF 58.8 million). This represents an increase of 31.1%. The EBITDA margin fell mainly as a result of the currently still dilutive acquisitions to 16.0% (prior year 18.6%). EBIT reached CHF 43.4 million (prior year CHF 34.0 million), equivalent to growth of 27.6%. The EBIT margin was 9.0% (prior year 10.8%). The operating results include integration costs resulting from the takeover of the pharmaceutical supply business of BASF of approximately CHF 3.7 million. Without these integration costs there would have resulted an EBITDA of CHF 80.8 million and an EBITDA margin of 16.8% and an EBIT of CHF 47.1 million with an EBIT margin of 9.8%.

As a result of the acquisitions all cost blocks rose significantly, but compared with sales remained at a comparable level. The cost of goods sold increased to CHF 389.9 million. This resulted in a gross profit of CHF 90.7 million (prior year 72.8 million) with a gross margin of 18.9% (prior year CHF 23.1%). The marketing and sales costs amounted to CHF 13.0 million (prior year CHF 8.4 million), the research and development costs to CHF 23.3 million (prior year CHF 21.3 million) and the administration and general overhead costs to CHF 23.3 million (prior year CHF 17.1 million). Other operating income amounted to CHF 12.4 million (prior year CHF 8.0 million).

## Unchanged Good Natural Hedge

Like many other businesses, Siegfried was also confronted in January 2015 with the discontinuance of the Euro lower limit by the Swiss National Bank. In the course of the year the Swiss franc again weakened somewhat. The average rates in 2015 were a lower Euro exchange rate by about 15 Rappen and a higher dollar by about 5 Rappen. Siegfried has already in recent years undertaken major efforts to improve the natural hedge, so that for Siegfried the effects of the National Bank's decision were never critical. Siegfried invoices in Swiss francs, Euros and US dollars. Sales are distributed as to one third over each of these currencies. Because of its various foreign locations Siegfried incurs a high share of its fixed costs in Euros and US dollars. In addition Siegfried bears its variable costs, i. e. raw materials, to a large extent

in Euros and US dollars, also at its Swiss locations. The fixed and variable costs result in aggregate in a high natural hedge. The costs also are distributed in total as to approximately one third each over the currencies Swiss francs, Euros and US dollars. At the sales level Siegfried lost in 2015 about CHF 17 million due to currency fluctuations, but as explained realised a comparable amount of cost savings through currency effects. As a result there was no negative impact on the operating result due to currency effects. Taking both currencies together, in the past year the natural hedge covered over 90%.

### Increase in Net Profit despite Higher Financial Expenses and a Lower Tax Effect

The financial result of CHF –6.4 million comprises financing costs and finance expenditures of CHF 5.7 million, financial income of CHF 0.2 million and a foreign exchange loss of CHF 0.9 million. Compared with the prior year financial expenditures rose by CHF 2.4 million. This reflects the higher debt and therefore increased interest and the recognition in income of the fees for the last financing round (CHF 0.7 million).

After a positive tax result of CHF 2.0 million, the net profit amounts to CHF 39.1 million with a net profit margin of 8.1%. In the prior year the net profit was CHF 38.6 million at a net profit margin of 12.2%. However, as already mentioned, in the prior year the net profit included significantly lower finance expenditures. In addition, in the prior year with CHF 6.8 million there was a significantly more positive tax result deriving from higher recognition of loss carry forwards compared with 2015. Corrected for these effects, a net profit growth approximating the growth in the operating result would have resulted. The undiluted earnings per share (EPS) is CHF 9.89, the diluted earnings per share CHF 9.76 (prior year EPS CHF 9.97, diluted EPS CHF 9.92).

### High Investment and Acquisition Activity

In 2015 Siegfried generated an operating cash flow before changes in net current assets of CHF 65.0 million (prior year CHF 58.1 million). This represents an increase of 12.0%. The net current assets have grown considerably following the takeover of the pharmaceutical supply business of BASF. This effect resulting from the acquisitions was enhanced in the past financial year by the fact that in the fourth quarter high sales were realised, so that at the year-end above-average trade receivables were in the books. This had a negative impact in the statement of cash flows of CHF 24.8 million. In addition the increase in inventories negatively impacted the cash flow in 2015 with CHF 14.7 million. Including the change in net current assets in 2015 Siegfried generated a slightly lower operating cash flow of CHF 23.1 million (prior year CHF 24.6 million).

In the past years the implementation of the Strategy Transform has required heavy investments in fixed assets, above all in the new factory in Nantong, China, and in the multi-purpose plant in Zofingen. In 2015 the investments in fixed assets totalled CHF 94.7 million (prior year CHF 81.9 million). CHF 20.4 million related to Nantong, CHF 32.5 million to the new multi-purpose plant in Zofingen. It must be borne in mind that Siegfried has grown from six to nine sites and in the prior year Hameln Pharma was consolidated for only one month. Therefore the above amount of investments in fixed assets is also to be seen in the context of the considerably higher number of sites.

In the cash flow from investing activities the caption acquisition of Group companies also includes the net purchase price payment for the acquisition of the pharmaceutical supply business of BASF in the amount of CHF 157.5 million. It was financed in a first step by the replacement of the previous credit agreement of CHF 250 million by a new one of CHF 400 million. The new credit agreement was concluded with two Swiss banks as Joint Mandated Lead Arrangers. It included bridge financing for the acquisition. In a second step two hybrid bonds were issued in a total amount of CHF 160 million. They are a non-transferable private hybrid convertible bond with a nominal amount of CHF 60 million with the German RAG Beteiligungsgesellschaft mbH and a public hybrid bond for CHF 100 million. Both hybrid bonds are subordinated with a permanent duration. After five years the hybrid bonds have a first Call Date. If it is not exercised, the interest payable is increased (step up). The privately placed hybrid bond includes in addition during the first five years of its duration an optional right of conversion into shares of Siegfried Holding AG. The conversion is secured by treasury shares, i.e. without capital increase. Siegfried already holds a large part of the treasury shares required for this purpose. The net inflow of funds from the two hybrid bonds reported in the statement of cash flows aggregated CHF 157.5 million. The inflow of funds from the two hybrid bonds was used, as agreed, to repay the bridge financing. After this repayment, at the year-end 2015 there remain credit lines in the amount of CHF 241 million, which are provided by a Swiss bank consortium.

For the purchase of treasury shares net CHF 14.2 million was expended. Interest and bank charges, including the costs of the refinancing, amounted to CHF 9.7 million. The distribution out of the reserves from capital contribution to the shareholders of Siegfried Holding AG made in April 2015 amounted to CHF 6.0 million.

At the end of the year CHF 47.4 million was held in liquid funds. The outstanding loans amounted to CHF 224.7 million gross. Net debt at the end of 2015 CHF was 177.3 million. While net debt and the debt ratio have risen as a result of the recent acquisition, at 1.55 at the end of 2015 the net debt in relation to EBITDA continues to lie comfortably within the financial covenants applicable for Siegfried under the credit agreement. The equity ratio at the end of 2015 was 49.1%.



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CFO

# Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2015	2014
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	469 959	314 927
Intangible assets	3	10 139	9 489
Investments in associated companies and joint ventures	4	527	593
Financial and other non-current assets	5	3 424	116
Employer contribution reserves	17	8 763	8 726
Deferred tax assets	6	48 868	22 291
<b>Total non-current assets</b>		<b>541 680</b>	<b>356 142</b>
<b>Current assets</b>			
Inventories	7	256 923	123 159
Trade receivables	8	123 979	68 806
Other current assets		27 839	23 544
Accrued income and prepaid expenses		5 880	7 629
Current income taxes		249	68
Cash		47 386	50 224
<b>Total current assets</b>		<b>462 256</b>	<b>273 430</b>
<b>Total assets</b>		<b>1 003 936</b>	<b>629 572</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Share capital		8 300	8 300
Treasury shares		-37 197	-19 236
Capital reserves		79 753	85 739
Hybrid capital		157 495	-
Retained earnings		284 303	307 965
<b>Total equity</b>		<b>492 654</b>	<b>382 768</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	12	214 667	113 241
Non-current provisions	13	27 118	9 073
Deferred tax liabilities	6	5 740	4 305
Other non-current liabilities	14	2 006	12 959
Non-current pension liabilities	17	114 025	149
<b>Total non-current liabilities</b>		<b>363 556</b>	<b>139 727</b>
<b>Current liabilities</b>			
Trade payables		64 703	43 971
Other current liabilities	16	12 505	9 765
Accrued expenses and deferred income	15	46 043	22 199
Other current financial liabilities	12	10 000	22 147
Derivative financial instruments	9	429	353
Current pension liabilities	17	619	554
Current provisions	13	10 688	7 947
Current income tax liabilities		2 739	140
<b>Total current liabilities</b>		<b>147 726</b>	<b>107 076</b>
<b>Total liabilities</b>		<b>511 282</b>	<b>246 803</b>
<b>Total liabilities and equity</b>		<b>1 003 936</b>	<b>629 572</b>

\* The Notes on pages 101–127 are an integral part of the Group Financial Statements.

# Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2015	2014
Net sales	27	480 571	315 282
Cost of goods sold		-389 919	-242 517
<b>Gross profit</b>		<b>90 652</b>	<b>72 765</b>
Marketing and sales costs		-13 041	-8 366
Research and development costs		-23 289	-21 277
Administration and general overhead costs		-23 311	-17 082
Other operating income	19	12 423	8 007
Share of results of associated companies		-33	-42
<b>Operating result</b>		<b>43 401</b>	<b>34 005</b>
Financial income	20	236	171
Financial expenses	20	-5 694	-3 318
Exchange rate differences	20	-892	928
<b>Profit before income taxes</b>		<b>37 051</b>	<b>31 786</b>
Income taxes	6	2 049	6 770
<b>Net profit</b>		<b>39 100</b>	<b>38 556</b>
Non-diluted earnings per share (CHF)	22	9.89	9.97
Diluted earnings per share (CHF)	22	9.76	9.92

\* The Notes on pages 101–127 are an integral part of the Group Financial Statements.



# Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)	Notes*	2015	2014
<b>Net profit</b>		<b>39 100</b>	<b>38 556</b>
Depreciation and impairment of PP&E and intangible assets	2,3	33 681	24 790
Change in provisions	13	41	-601
Other non-cash items <sup>1</sup>		-12 293	-3 749
Share-based payments	18	2 073	3 570
Exchange rate differences		892	-928
Financial income		-236	-171
Financial expenses		5 694	3 321
Income taxes		-2 049	-6 771
Share of results of associated companies		33	42
Net result on disposal of property, plant and equipment		-1 911	-
<b>Cash flow from operating activities before change in net current assets</b>		<b>65 025</b>	<b>58 059</b>
Change in trade receivables		-24 773	673
Change in other current assets		1 775	-19 613
Change in inventories		-14 681	-7 215
Change in trade payables		-3 508	-2 803
Change in other current liabilities		1 261	591
Payments out of provisions		-1 370	-4 559
Income taxes paid		-654	-491
<b>Cash flow from operating activities</b>		<b>23 075</b>	<b>24 642</b>
Purchase of property, plant and equipment	2	-94 703	-81 889
Proceeds from disposal of property, plant and equipment		5 629	78
Purchase of intangible and other assets	3	-296	-124
Acquisition of Group companies	3, 21	-160 361	-59 460
Investments in financial fixed assets		-3 233	-77
Interest received		101	15
Dividend received		27	-
<b>Cash flow from investing activities</b>		<b>-252 836</b>	<b>-141 457</b>
Issuance of hybrid capital		157 495	-
Increase in financial liabilities	12	106 686	48 145
Repayment of current financial liabilities		-11 864	-
Change in other non-current liabilities		198	-
Purchase/disposal of treasury shares, net		-14 195	-783
Interest paid and bank charges		-8 356	-1 934
Dividend to the shareholders of Siegfried Holding AG		-5 986	-5 931
<b>Cash flow from financing activities</b>		<b>223 978</b>	<b>39 497</b>
<b>Net change in cash</b>		<b>-5 783</b>	<b>-77 318</b>
Cash at the beginning of the year		50 224	127 341
Net effect of exchange rate changes on cash		2 945	201
Cash at the end of the year		47 386	50 224

\* The Notes on pages 101–127 are an integral part of the Group Financial Statements.

<sup>1</sup> 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 1000 CHF	Share capital	Treasury shares	Capital reserves	Hybrid capital	Value fluctuations of financial instruments*	Accumulated profits*	Cumulative translation adjustments*	Total equity
<b>As of January 1, 2014</b>	<b>7 600</b>	<b>-33 421</b>	<b>61 479</b>	<b>-</b>	<b>132</b>	<b>397 292</b>	<b>-70 649</b>	<b>362 433</b>
Net profit	-	-	-	-	-	38 556	-	38 556
Dividends	-	-	-5 931	-	-	-	-	-5 931
Changes in financial instruments	-	-	-	-	-891	-	-	-891
Employee share plan	-	9 967	-	-	-	-40 013	-	-30 046
Change in treasury shares	-	4 217	-	-	-	3 239	-	7 456
Capital increase	700	-	30 191	-	-	-	-	30 891
Goodwill allocation	-	-	-	-	-	-30 479	-	-30 479
Currency translation differences	-	-	-	-	-	-	10 779	10 779
<b>As of December 31, 2014</b>	<b>8 300</b>	<b>-19 236</b>	<b>85 739</b>	<b>-</b>	<b>-759</b>	<b>368 595</b>	<b>-59 870</b>	<b>382 768</b>
Net profit	-	-	-	-	-	39 100	-	39 100
Dividends	-	-	-5 986	-	-	-	-	-5 986
Issuance of hybrid capital	-	-	-	157 495	-	-1 030	-	156 465
Changes in financial instruments	-	-	-	-	-139	-	-	-139
Employee share plan	-	-	-	-	-	2 073	-	2 073
Change in treasury shares	-	-17 961	-	-	-	3 766	-	-14 195
Goodwill allocation	-	-	-	-	-	-61 685	-	-61 685
Currency translation differences	-	-	-	-	-	-	-5 748	-5 748
<b>As of December 31, 2015</b>	<b>8 300</b>	<b>-37 197</b>	<b>79 753</b>	<b>157 495</b>	<b>-898</b>	<b>350 819</b>	<b>-65 618</b>	<b>492 654</b>

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

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

The share capital of Siegfried Holding AG increased as a result of the issue of a privately placed hybrid convertible bond of CHF 60 million and the placement of a publicly issued hybrid-bond in the amount of CHF 100 million, see Note 11. The transaction costs of CHF 2.5 million incurred in connection with the hybrid bonds have been deducted from the hybrid capital.

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, and acquisitions. 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 March 8, 2016 for presentation to the General Meeting held on April 15, 2016.

### Information about the Group

The Siegfried Group is a worldwide pharmaceutical supplier with production sites in Switzerland, the USA, Malta, China, Germany and France. 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). The acquisition of three BASF sites in Evionnaz (Switzerland), Minden (Germany), and St. Vulbas (France), which are engaged in the pharmaceutical supply business and produce active pharmaceutical ingredients and intermediate products, ideally complements the Siegfried Group. Siegfried Holding AG (head office in Zofingen, AG) is listed on the SIX Swiss Exchange.

### Method and Scope of Consolidation

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

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

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

## Changes in Accounting Principles

### Swiss GAAP FER 31 – Financial Reporting Standard for Listed Companies

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

### Swiss GAAP FER Framework Concept – Swiss GAAP FER 3 – Swiss GAAP FER 6

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

## Accounting Principles

### Business Combinations

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

### Segment Reporting

The Siegfried Group consists of one «reportable segment». The decision takers measure the performance of the company based on the financial information at the level of the Siegfried Group as a whole.

## 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	2015	2014
1 USD	0.989	0.989
1 EUR	1.080	1.203
100 RMB	15.224	16.154

### Income Statement

Average rates	2015	2014
1 USD	0.963	0.915
1 EUR	1.069	1.215
100 RMB	15.488	14.901

## 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 and leasehold improvements	10–30 years
Machinery and equipment	5–15 years
Vehicles	5–10 years
IT-Hardware	3–5 years

In the context of the periodical update of the accounting manual the useful lives of the asset categories will be adjusted.

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, patents and client base	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, finished goods and trading 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. Settlement discounts are treated as reductions in the purchase price.

## 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 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.

## Equity/Hybrid Bonds

Both hybrid bonds are subordinated bonds with an indeterminate duration. The hybrid bonds have a first call date after five years. If this is not exercised, the result is a higher rate of interest payable (step up). The privately placed hybrid bond has in addition an optional right to convert into shares in Siegfried Holding AG. The hybrid bonds are therefore classified as equity and interest payments thereon are treated as reductions in equity.

## Financial Liabilities

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

## Other Liabilities

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

## 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 Siegfried Group are insured in the Pensionskasse Siegfried and the employees of Siegfried Evionnaz SA in its own pension fund, both legally autonomous foundations. The pension fund is financed by employee and employer contributions. In addition there is an affiliation to a collective foundation and pension commitments, which are financed directly by the employer. Abroad there is a separate pension plan in Germany for Siegfried PharmaChemikalien Minden GmbH as well as a plan for the companies in the USA.

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

### Share-Based Payments

In 2014 Siegfried introduced a Long Term Incentive Plan (LTIP) for the members of management. At the beginning of a vesting period of three-years the plan participants acquire a defined number of Performance Share Units (PSU). After the three year vesting period the plan participants are allocated between 0 and 2 shares per acquired PSU. For the plan satisfied with equity instruments, the expense of the remuneration granted is recognized by an increase in equity. The related costs are recognized as personnel expenses in the period in which the claim arose. The valuation of the PSU is undertaken by an external company, which is specialized in the valuation of option and equity plans.

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

BASF operated an employee share purchase plan for its employees, under the terms of which employees were able to acquire rights to future bonus shares by purchase with their own funds. With the sale of the sites Evionnaz, Minden and St. Vulbas by BASF to Siegfried it was no longer possible to continue this plan. In order to be able to offer the employees suitable compensation for the future rights existing at the date of the sale, a share plan limited to ten years was launched, under which the employees will receive in the years 2016–2025 Siegfried shares free of charge. Under this plan a maximum of 4332 shares will be allocated, which have been taken into account in the purchase price allocation.

#### Profit Sharing/Bonus Plans

The Group operates a Short Term Incentive Plan (STIP), which is compensated annually in cash. These bonus entitlements in cash 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. The amount of the performance-based remuneration paid under the STIP is linked to the achievement of corporate, functional and individual targets. At the end of the one-year performance period it is determined whether the corporate, functional and individual goals have been achieved. The achievement scale for the corporate targets stretches from 0% to a maximum of 200%, for functional and individual targets from 0% to a maximum of 150%.

#### Taxes

The tax expense for the period comprises current and deferred taxes. Current income taxes are calculated on the basis of the taxable result and the tax rate applicable locally. 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. Deferred tax assets arising from temporary timing differences and tax loss carryforwards 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 an 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 come 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 the 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 15 and 16, 2015, 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 30, 2015. The Annual Report on the Internal Control System, including its assessment, was also approved at the meeting on November 30, 2015. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 23, 2015.

## Financial Risk Management

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

## Market Risks

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

### Foreign Exchange Risks

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

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

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

### Interest Rate Risks

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

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

### Market Value Risks

Changes in the market value of financial assets and derivative financial instruments can affect the financial position and net profit of the Group. Non-current financial investments, such as investments in subsidiaries, are held for strategic reasons. The Siegfried Group holds no financial investments for speculative purposes. 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 Treasury.

## 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, 2015, Siegfried had available unrecognized tax losses and tax credits of CHF 130.1 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 36.6 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	
<b>Operating</b>			
Siegfried AG, Zofingen (Switzerland)	20 000 000	CHF	100.00%
Siegfried (USA), LLC, Pennsville, NJ (USA)	500 000	USD	100.00%
Siegfried International AG, Zofingen (Switzerland)	2 000 000	CHF	100.00%
Siegfried Malta Ltd., Valletta (Malta)	100 000	EUR	100.00%
Siegfried GmbH, Munich (Germany)	25 000	EUR	100.00%
Siegfried Hong Kong Ltd., Hong Kong (China)	1 000	HKD	100.00%
Alliance Medical Products Inc., Irvine, CA (USA)	116 521	USD	100.00%
Siegfried (Nantong) Pharmaceuticals Co. Ltd. (China)	346 925 622	CNY	100.00%
Hameln Pharmaceuticals GmbH, Hameln (Germany)	750 000	EUR	100.00%
Hameln RDS GmbH, Hameln (Germany)	30 000	EUR	100.00%
Siegfried Evionnaz SA, Evionnaz (Switzerland)	1 000 000	CHF	100.00%
Siegfried PharmaChemikalien Minden GmbH, Minden (Germany)	50 000	EUR	100.00%
Siegfried St. Vulbas SAS, Saint Vulbas (France)	15 200 000	EUR	100.00%
<b>Finance and administration</b>			
Siegfried Holding AG, Zofingen (Switzerland)	8 300 000	CHF	100.00%
Siegfried Finance AG, Zofingen (Switzerland)	14 000 000	CHF	100.00%
Siegfried Deutschland Holding GmbH, Lörrach (Germany)	1 790 000	EUR	100.00%
Siegfried USA Holding Inc., Pennsville, NJ (USA)	3 000	USD	100.00%
Siegfried Deutschland Real Estate GmbH, Lörrach (Germany)	25 000	EUR	100.00%
Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	25 000	EUR	100.00%
<b>Joint venture</b>			
Alpine Dragon Pharmaceuticals Ltd., Huangyang, Gansu Province (China)	10 542 708	CNY	49.00%

In the first half of 2015 Penick Corporation was merged with Siegfried USA, LLC.

On September 30, 2015 Siegfried took over BASF's pharmaceutical supply business with the sites Evionnaz (Switzerland), Minden (Germany), and St. Vulbas (France). Siegfried Evionnaz SA was newly incorporated and Siegfried PharmaChemikalien Minden GmbH and Siegfried St. Vulbas SAS were renamed.



## 2. Property, Plant and Equipment

In 1000 CHF	Land	Buildings and leasehold improvements	Machinery and equipment	Prepayments	Assets under construction	Total
<b>Acquisition costs</b>						
As of January 1, 2014	6 942	153 918	442 499	5 108	44 307	652 774
Translation differences	-8	3 703	8 819	194	6 418	19 126
Change in scope of consolidation	776	35 034	37 220	10	-	73 040
Additions	-	85	2 545	2	88 647	91 279
Disposals	-	-3 924	-4 199	-	-245	-8 368
Reclassifications	-	3 084	22 103	-3 840	-21 347	-
<b>As of December 31, 2014</b>	<b>7 710</b>	<b>191 900</b>	<b>508 987</b>	<b>1 474</b>	<b>117 780</b>	<b>827 851</b>
Translation differences	-37	-3 326	-3 706	-76	-4 281	-11 426
Change in scope of consolidation	15 796	100 022	468 967	-	12 132	596 917
Additions	337	609	12 915	-7	74 589	88 443
Disposals	-	-5 928	-35 921	-	-	-41 849
Reclassifications	-	14 096	24 802	-1 686	-37 212	-
<b>As of December 31, 2015</b>	<b>23 806</b>	<b>297 373</b>	<b>976 044</b>	<b>-295</b>	<b>163 008</b>	<b>1 459 936</b>
<b>Accumulated depreciation and impairments</b>						
As of January 1, 2014	-	95 607	348 760	-	-	444 367
Translation differences	-	2 288	6 611	-	-	8 899
Change in scope of consolidation	-	15 658	28 037	-	-	43 695
Depreciation charge	-	3 010	20 633	-	-	23 643
Disposals	-	-3 604	-4 076	-	-	-7 680
<b>As of December 31, 2014</b>	<b>-</b>	<b>112 959</b>	<b>399 965</b>	<b>-</b>	<b>-</b>	<b>512 924</b>
Translation differences	-	-1 043	-1 195	-	-	-2 238
Change in scope of consolidation	-	79 262	405 376	-	-	484 638
Depreciation charge	-	4 983	27 844	-	-	32 827
Disposals	-	-4 799	-33 376	-	-	-38 175
<b>As of December 31, 2015</b>	<b>-</b>	<b>191 362</b>	<b>798 614</b>	<b>-</b>	<b>-</b>	<b>989 976</b>
<b>Net book value 31.12.2015</b>	<b>23 805</b>	<b>106 011</b>	<b>177 430</b>	<b>-295</b>	<b>163 008</b>	<b>469 959</b>
<b>Net book value 31.12.2014</b>	<b>7 710</b>	<b>78 941</b>	<b>109 021</b>	<b>1 474</b>	<b>117 780</b>	<b>314 927</b>

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

Additions amounting to CHF 112.3 million (net) recorded in changes in scope of consolidation derive solely from the BASF sites acquisition Evionnaz, St. Vulbas and Minden.

At December 31, 2015 Land included CHF 6.4 million (2014: CHF 6.4 million) undeveloped property.

As of December 31, 2015, commitments for the purchase of property, plant and equipment amounted to CHF 11.5 million (2014: CHF 13.4 million).

Borrowing costs of CHF 0.8 million (2014: CHF 0.8 million) in connection with the financing of Nantong was capitalized.

### 3. Intangible Assets

In 1000 CHF	Licenses, patents	Client base	Software	Land use rights	Total
<b>Acquisition costs</b>					
As of January 1, 2014	9 672	5 881	9 822	4 761	30 136
Translation differences	1 092	650	209	481	2 432
Change in scope of consolidation	–	1 385	9	102	1 496
Additions	–	–	124	–	124
Disposals	–	–	–73	–	–73
<b>As of December 31, 2014</b>	<b>10 764</b>	<b>7 916</b>	<b>10 091</b>	<b>5 344</b>	<b>34 115</b>
Translation differences	–1	–140	–8	–312	–461
Change in scope of consolidation	1 588	97	2 258	–	3 943
Additions	–	–	283	13	296
Disposals	–495	–	–214	–	–709
<b>As of December 31, 2015</b>	<b>11 856</b>	<b>7 873</b>	<b>12 410</b>	<b>5 045</b>	<b>37 184</b>
<b>Accumulated amortization and impairments</b>					
As of January 1, 2014	5 411	5 425	9 624	111	20 571
Translation differences	643	634	206	18	1 501
Change in scope of consolidation	–	1 375	9	97	1 481
Amortization charge	399	434	215	97	1 145
Disposals	–	–	–72	–	–72
<b>As of December 31, 2014</b>	<b>6 453</b>	<b>7 868</b>	<b>9 982</b>	<b>323</b>	<b>24 626</b>
Translation differences	11	–138	–11	–25	–163
Change in scope of consolidation	–	–	1 761	–	1 761
Amortization charge	474	43	233	103	853
Disposals	–	–	–32	–	–32
<b>As of December 31, 2015</b>	<b>6 938</b>	<b>7 773</b>	<b>11 933</b>	<b>401</b>	<b>27 045</b>
<b>Net book value December 31, 2015</b>	<b>4 918</b>	<b>100</b>	<b>477</b>	<b>4 644</b>	<b>10 139</b>
<b>Net book value December 31, 2014</b>	<b>4 311</b>	<b>48</b>	<b>109</b>	<b>5 021</b>	<b>9 489</b>

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

In 1000 CHF (for the years ended December 31)	2015	2014
<b>Theoretical Goodwill</b>		
As of January 1	98 325	67 846
Additions <sup>1</sup>	61 685	30 479
<b>As of December 31</b>	<b>160 010</b>	<b>98 325</b>
<b>Accumulated amortization</b>		
As of January 1	11 853	7 161
Amortization	7 752	4 692
<b>As of December 31</b>	<b>19 605</b>	<b>11 853</b>
<b>Theoretical Goodwill December 31</b>	<b>140 405</b>	<b>86 471</b>

<sup>1</sup> Includes subsequent purchase price adjustments relating to the acquisition Hameln 2014.

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

In 1000 CHF (for the years ended December 31)	2015	2014
Operating result according to Income Statement	43 401	34 005
Amortization of Goodwill	-7 752	-4 692
<b>Theoretical operating result incl. amortization of Goodwill</b>	<b>35 649</b>	<b>29 313</b>
Net profit according to Income Statement	39 100	38 556
Amortization of Goodwill	-7 752	-4 692
<b>Theoretical net profit incl. amortization of Goodwill</b>	<b>31 348</b>	<b>33 864</b>

#### 4. Investment in Associated Companies and Joint Ventures

Alpine Dragon Pharmaceuticals Ltd. was incorporated during 2007 as a joint venture with the Chinese company Gansu Medical Alkaloids, Inc. The impact on the Financial Statements is not material. There are no contingent liabilities or payment commitments in connection with this joint venture.

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

## 5. Financial and Other Non-Current Assets

Financial assets are classified in the following categories:

In 1000 CHF	2015	2014
Other non-current financial assets	80	–
Other non-current assets	3 344	116
<b>Total financial and other non-current assets</b>	<b>3 424</b>	<b>116</b>

The other non-current assets include CHF 3.1 million deposited as a security for bank guarantees issued in Germany and France in connection with the acquisition of the BASF companies.

## 6. Income Taxes

In 1000 CHF	2015	2014
Current tax expense	3 153	391
Deferred tax income	–5 202	–7 161
<b>Total income taxes</b>	<b>–2 049</b>	<b>–6 770</b>

The effective weighted tax rate 2015 is 29.6% (2014: 17.9%). This would lead to a tax expense of CHF 8.7 million (2014: CHF 5.8 million). In 2015 the tax income was CHF 2.0 million (2014: 6.8 million) which would be equivalent to a positive tax rate of 5.5% (2014: 21.3%). The difference between the effective and normalized tax result is based mainly on the capitalization of tax loss carry forwards not previously capitalized in the amount of CHF 3.3 million (2014: CHF 12.4 million), the use of non-capitalized tax loss carry forwards CHF 1.7 million (2014: CHF 3.0 million), the re-assessment of capitalized tax loss carry forwards CHF –0.0 million (2014: CHF –0.7 million), and the non-capitalization of newly incurred loss carry forwards of CHF –2.4 million (2014: CHF –2.2 million). The balance results from temporary differences between tax and Swiss GAAP values of CHF 8.2 million (2014: CHF 0.1 million).

In 1000 CHF	December 31, 2014	Change	December 31, 2015
<b>Deferred tax assets</b>	<b>22 291</b>	<b>26 577</b>	<b>48 868</b>
<b>Deferred tax liabilities</b>	<b>4 305</b>	<b>1 435</b>	<b>5 740</b>

In 2015 CHF 26.9 million deferred tax assets were recognized, of which CHF 21.1 million as a result of acquisitions, and CHF 0.3 million released. Deferred tax liabilities of CHF 4.0 million were created, of which CHF 2.2 million as a result of acquisitions, and CHF 2.6 million released.

The Group owns a large amount of tax loss carry forwards. Of these, CHF 62.1 million (2014: CHF 64.3 million) were recognized as of December 31, 2015. Siegfried also has tax losses available which are not recognized in the amount of CHF 130.1 million (2014: CHF 176.0 million). About 41% of these relate to non-operating companies and with high probability will not be usable.

The following unrecognized tax losses are available to Siegfried:

In 1000 CHF	2015	2014
<b>Expiry of unrecognized tax losses and tax credits</b>		
Within one year	1 103	31 517
Between one and five years	62 436	52 430
More than five years	66 576	91 987
<b>Total unrecognized tax losses and tax credits</b>	<b>130 115</b>	<b>175 934</b>

## 7. Inventories

In 1000 CHF	2015	2014
Raw materials	74 233	31 817
Semi-finished goods	63 863	57 753
Finished goods and trading goods	118 827	33 589
<b>Total inventories</b>	<b>256 923</b>	<b>123 159</b>

The valuation allowances for inventory amount to CHF 20.9 million (2014: CHF 13.9 million) and are included in the figures above. The increase in inventories results from the acquisition of the BASF sites.

## 8. Trade Receivables

In 1000 CHF	2015	2014
Trade receivables	124 443	68 819
Allowances for doubtful accounts	-464	-13
<b>Total trade receivables</b>	<b>123 979</b>	<b>68 806</b>

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. The increase in trade receivables results from the acquisition of the BASF sites.

## 9. Derivative Financial Instruments

The guidelines on financial risk management are described in the accounting principles. Within the framework of these guidelines the Siegfried Group 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 and interest hedging contracts were open. Foreign currency forward contracts were used to hedge net payment flows in the financial year 2015 aggregating USD 17.0 million and EUR 7.0 million (2014: USD 33.2 million, EUR 4.6 million and RMB 304.8 million). In order to hedge interest risks on loans drawn down interest swaps were concluded with several banks in the amount of USD 38.8 million and EUR 36.0 million (2014: USD 55.2 million and EUR 45.0 million). The changes in fair value of these foreign exchange contracts are recognized in the financial result and in equity.

## Derivative Financial Instruments

In 1000 CHF	Contract value		Positive fair value		Negative fair value	
	2015	2014	2015	2014	2015	2014
Foreign currency swaps	24 394	87 610	–	–	211	158
Interest rate swaps	77 432	108 730	–	–	218	195
<b>Total</b>	<b>101 826</b>	<b>196 340</b>	<b>–</b>	<b>–</b>	<b>429</b>	<b>353</b>

## 10. Treasury Shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2015, the book value of the treasury shares was CHF 37.2 million (2014: CHF 19.3 million). The inventory of treasury shares increased significantly in 2015 as a result of the backing for the private hybrid-convertible bond. 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 136.

Treasury shares	December 31, 2014	Change	December 31, 2015
<b>Total treasury shares</b>	<b>134 239</b>	<b>85 701</b>	<b>219 940</b>
<b>Total Siegfried shares</b>	<b>4 150 000</b>	<b>–</b>	<b>4 150 000</b>
<b>Total outstanding shares</b>	<b>4 015 761</b>	<b>–85 701</b>	<b>3 930 060</b>

## 11. Share Capital – Hybrid Capital – Conditional Capital

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

In the financial year 2015 Siegfried Holding AG issued a non-transferable private hybrid convertible bond with a nominal amount of CHF 60 million. The hybrid convertible bonds are a subordinated bond with a perpetual duration, carrying interest at 2.5%. The hybrid convertible bond has a first call date after five years. If it is not exercised, the interest rate payable increases (step up). Additionally there exists an optional right of conversion at a conversion price mathematically fixed, which can be exercised during the duration. The conversion price can change in accordance with the terms of the convertible bond, in particular if the company makes dividend payments. The conversion is assured by treasury shares, i.e. without capital increase. A large part is already covered, see Note 10.

In addition in the financial year Siegfried Holding AG issued a public hybrid bond in the amount of CHF 100 million. It is a subordinated bond with a perpetual duration, carrying interest at 3.5%. The public hybrid bond has a first call date after five years. If it is not exercised, the interest rate payable increases (step up).

Siegfried Holding AG has at its disposal conditional capital of CHF 420 000 for the creation of 210 000 shares to serve the Long Term Incentive Plan (LTIP) and other employee benefit plans. In 2015 no shares were allocated out of conditional capital.

Conditional capital (number of shares)	December 31, 2014	Change	December 31, 2015
Long Term Incentive Plan (LTIP)	210 000	–	210 000
<b>Total</b>	<b>210 000</b>	<b>–</b>	<b>210 000</b>

## 12. Financial Liabilities

In July 2015 the existing syndicated credit agreement was substituted early by a new syndicated credit agreement with a credit line of CHF 400 million (old credit line CHF 250 million) with a duration of five years (2015–2020). After the successful placing of hybrid bonds the credit line decreased to CHF 241.4 million, which can be used to finance working capital. The interest is based on the Libor or Euribor rate, plus an interest margin, which is dependent on financial consolidated key figures of a maximum debt ratio. The second financial consolidated key figure includes a minimum equity financing ratio. The Siegfried Group fulfilled both covenants at the year-end. At December 31, 2015 the equivalent of CHF 225 million, including USD and EUR, was drawn down (2014: CHF 135.4 million, including USD and EUR).

## 13. Provisions

In 1000 CHF	Environmental provisions	Other provisions	Total
As of January 1, 2014	16 224	5 872	22 096
Costs incurred	–2 986	–1 573	–4 559
Additions, interest	2 186	792	2 978
Releases of unused provisions	–807	–2 772	–3 579
Currency translation	79	5	84
<b>As of December 31, 2014</b>	<b>14 696</b>	<b>2 324</b>	<b>17 020</b>
Thereof current	6 123	1 824	7 947
Thereof non-current	8 573	500	9 073
As of January 1, 2015	14 696	2 324	17 020
Costs incurred	–564	–806	–1 370
Additions, interest	431	9	440
Change in scope of consolidation	21 934	107	22 041
Releases of unused provisions	–	–398	–398
Currency translation	72	1	73
<b>As of December 31, 2015</b>	<b>36 569</b>	<b>1 237</b>	<b>37 806</b>
Thereof current	9 951	737	10 688
Thereof non-current	26 618	500	27 118

Environmental provisions: The Siegfried Group produces chemicals at various locations. The production process is such that undesirable incidents may also arise, which result in an obligation to remedy pollutant effects on the environment. In connection with planned construction projects, environmental investigations were performed. Possible remediation obligations of CHF 36.6 million have been provided for (2014: CHF 14.7 million). The addition from the change in the scope of consolidation of CHF 21.9 million derives from the acquisition of the BASF companies and in part has been deducted from the purchase price. The liabilities are recognized in the accounting period, in which the obligation becomes evident. 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 the reporting period costs for remediation incurred to CHF 0.6 million (2014: 3.0 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 2% (2014: 2%) to the present value of the expected expenditures. The discount amounted to CHF 0.3 million (2014: CHF 1.2 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments.

The other provisions cover costs for extension and demolition work in the amount of CHF 0.5 million and for costs incurred in connection with the sale of floors in a building to Arena in the amount of CHF 0.6 million. The balance covers other operating liabilities. In the year under review in connection with extension and demolition work CHF 0.6 million was used as well as CHF 0.2 million for product warranties.

#### 14. Other Non-Current Liabilities

In the prior year other long term non-current liabilities included the earn-out liability, which arose in connection with the acquisition of the Hameln companies. It falls due in 2016 and has therefore been reclassified in 2015 to other current short term liabilities, see Note 16.

#### 15. Accruals

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

#### 16. Other Current Liabilities

The earn-out related to the acquisition of the Hameln companies due for payment in 2016 has been reclassified from long term non-current to other current short term liabilities, see Note 14. The earn-out liability was reduced in 2015 by CHF 7.7 million.



## 17. Employee Benefits and Personnel Expenses

In 1000 CHF	2015	2014
Wages and salaries	149 872	90 819
Share-based payments	2 337	1 683
Pension expense	6 149	6 248
Expenses for other long-term employee benefits	162	190
Social and other personnel expenses	32 660	14 410
<b>Total personnel expenses</b>	<b>191 180</b>	<b>113 350</b>

In the year under review, the average number of employees (in full-time positions) was 2238 (2014: 1374). The increase is due to the acquisition of the BASF sites as of September 30, 2015.

Pension liabilities and economic benefits are as follows:

In 1000 CHF	Excess/ insufficient cover as per FER 26 31.12.2015	Economic benefit/ obligation for the company		Change vs. prior year or taken to the Income Statement in the FY 31.12.2015	Contributions 2015	Pension expenses in personnel expenses	
		31.12.2015	31.12.2014			2015	2014
Pension institutions with surplus (CH)	36 191	–	–1	–1	5 832	5 831	5 081
Pension costs (CH)	–273	–273	–252	21	2	23	–127
Pension schemes with deficit (D)	–112 082	–112 082	–	–972	1 093	–1 185	–
Pension schemes with deficit (FR)	–1 795	–1 795	–	64	0	44	–
Pension schemes with deficit (USA)	–494	–494	–450	44	1 393	1 436	1 294
<b>Total</b>	<b>–78 453</b>	<b>–114 644</b>	<b>–703</b>	<b>–844</b>	<b>8 320</b>	<b>6 149</b>	<b>6 248</b>

The increase in pension liabilities results from the acquisition of the BASF sites, in particular from the pension plan of Siegfried PharmaChemikalien GmbH, Minden.

The employer contribution reserves are as follows:

In 1000 CHF	Nominal value 31.12.2015	Waiver of usage 31.12.2015	Other value adjustments 31.12.2015	31.12.2015	Balance Sheet asset 31.12.2014	Result from ECR in personnel expenses	
						2015	2014
Pension schemes (CH)	8 763	–	–	8 763	8 726	–37	–260
<b>Total</b>	<b>8 763</b>	<b>–</b>	<b>–</b>	<b>8 763</b>	<b>8 726</b>	<b>–37</b>	<b>–260</b>

## 18. Share-Based Payments

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

The valuation of the PSU is undertaken at the beginning of the relevant vesting period by an external company, which is specialized in the valuation of option and equity plans. In 2015 for the LTIP Plan period 2015–2018 an expense of CHF 0.6 million was recognized, 25 409 PSUs with a fair value of CHF 72.67 per PSU and for the plan period 2014–2017 an expense of CHF 1.4 million was recognized, 25 076 PSUs with a fair value of CHF 162.99 per PSU.

In addition to the Long Term Incentive Plan (LTIP) there exists an equity plan for employees, which can not participate to the LTIP (Employee Share Purchase Plan – ESPP). The total expense for the ESPP amounted in the reporting year to CHF 0.3 million (2014: CHF 0.3 million). In the reporting year 5440 (2014: 2883) shares were acquired under the plan. The funds saved in the ESPP by the plan participants at December 31, 2015, entitle them to acquire 1431 shares (2014: 544 shares).

The employee share purchase plan existing under BASF for the employees of the sites Evionnaz, Minden and St. Vulbas was replaced by Siegfried with a share plan limited to ten years (2016–2025). In 2015, 2100 shares were allocated out of this share plan, which have been taken into account in the purchase price allocation.

## 19. Other Operating Income

Other operating income includes CHF 0.4 million for environmental damage compensation (2014: CHF 0.4 million), CHF 2.0 million gains on sales of fixed assets (2014: CHF 7.1 million), deduction of earn-out in connection with the acquisition of Hameln CHF 7.7 Mio. and various other income aggregating CHF 2.3 million (2014: CHF 1.0 million).

## 20. Financial Result

The financial result comprises of CHF 5.7 million (2014: CHF 3.3 million) financial expenses, of which CHF 5.5 million (2014: CHF 2.2 million) for debt interest and fees, CHF 0.3 million for the compounding of the environmental provision (2014: CHF 1.1 million), financial income of CHF 0.2 million (2014: CHF 0.2 million), and CHF –0.9 million (2014: CHF 0.9 million) from exchange differences. In addition, as a result of the cancellation of the syndicated credit in 2015, capitalized financing costs in the amount of CHF 0.7 million were charged against the financial result.

## 21. Acquisitions

At the end of September 2015 Siegfried acquired BASF's pharmaceutical supply business and the corresponding three sites in Evionnaz (Switzerland), Minden (Germany), and St. Vulbas (France). The three sites produce active pharmaceutical ingredients and intermediate products and, therefore, ideally complement Siegfried Group. The provisional debt-free purchase price of approximately EUR 270 million was all paid in cash. The Goodwill resulting from the transaction of CHF 68.3 million, which also contains transaction costs in the amount of CHF 5.9 million, was set off against equity. As the transaction occurred only three months before year-end, the allocation of the purchase price may change in 2016. At the date of the takeover the three BASF sites carried the following major Consolidated Balance Sheet items (Fair Values):

In 1000 CHF	September 30, 2015
Cash	23 021
Inventories	121 570
Other current assets	37 163
Non-current assets	137 745
<b>Total assets</b>	<b>319 499</b>
Current liabilities	51 216
Non-current liabilities	146 533
Equity	121 750
<b>Total liabilities and equity</b>	<b>319 499</b>

## 22. Earnings per Share

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

	2015	2014
Net profit attributable to Siegfried shareholders (in 1000 CHF)	39 100	38 556
Weighted average number of shares outstanding	3 953 505	3 868 382
<b>Non-diluted earnings per share</b>	<b>9.89</b>	<b>9.97</b>
Net profit attributable to Siegfried shareholders (in 1000 CHF)	39 100	38 556
Weighted average number of shares outstanding	3 953 505	3 868 382
Adjustment for assumed exercise of share-based payments, where dilutive	53 442	18 200
<b>Diluted earnings per share</b>	<b>9.76</b>	<b>9.92</b>

## 23. Distribution per Share

For the financial year 2015 the Board of Directors proposes the distribution of CHF 1.80 per share from the capital contribution reserves (2014: CHF 1.50 per share). If this is approved by the Annual General Meeting on April 15, 2016, it will result in a total payment of CHF 7.0 million to the shareholders. The number of shares entitled for distribution may change by the time of the Annual General Meeting on April 15, 2016 (see Proposal for the appropriation of retained earnings and the distribution from capital contribution reserves in financial statements of Siegfried Holding AG).

## 24. Commitments and Contingencies

The operations of the Group companies continue to be exposed to risks from political, legal, fiscal and regulatory developments, including those related to environmental protection. The nature and frequency of these developments and events, which are not covered by any insurance, are not predictable. Possible obligations that are dependent on future events are disclosed as contingent liabilities. To secure the liabilities in connection with the new syndicated credit there is a guarantee in the amount of CHF 265.6 million. On December 31, 2015, Siegfried Holding AG gave guarantees to banks in the amount of CHF 5.5 million and EUR 1.5 million (2014: CHF 5.0 million, USD 4.0 million and EUR 1.5 million).

In 2015 a demand for claims for alleged unpaid work on the construction of the site in Nantong was submitted to the Chinese Arbitration Court CIETAC by a construction company. Siegfried contests these claims and has in turn submitted a claim on the construction firm. The procedure will start only in 2016. Therefore, the outcome is currently open and an accurate assessment impossible.

## 25. Maturity of Rental and Lease Liabilities

	Operating leases	Operating leases
In 1000 CHF	<b>2015</b>	2014
Due under 1 year	4 824	4 655
Due between 1 and 5 years	24 256	15 273
Due after 5 years	42 850	14 058
<b>Total lease liabilities</b>	<b>71 930</b>	<b>33 986</b>

Of these liabilities CHF 48.0 million (2014: 17.2 million) relate to the new administration buildings in Zofingen, CHF 1.5 million (2014: CHF 2.2 million) to the production facility in Malta, CHF 13.5 million (2014: CHF 0.0 million) to the production facility in Minden and CHF 4.7 million (2014: CHF 5.6 million) to the production site in Irvine.

## 26. Transactions with Related Parties

The companies owned by Siegfried are listed in Note 1 "Scope of consolidation". In 2015 no transactions with related parties took place (2014: CHF 0 million) and at the reporting date there were no receivables from or payables to related parties (2014: CHF 0 million). All transactions between fully consolidated companies have been eliminated in the consolidation process and are not disclosed in this note.

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

## 27. Net Sales

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	2015	2014
Sales of products	472.6	307.4
Services	8.0	7.9
<b>Total net sales</b>	<b>480.6</b>	<b>315.3</b>

### Net Sales by Product Group

In CHF million	2015	2014
Drug Substances	333.2	234.5
Drug Products	147.4	80.8
<b>Total</b>	<b>480.6</b>	<b>315.3</b>

### Geographic Information<sup>1</sup>

The most important markets are Western Europe and the USA.

In CHF million	2015	2014
USA	153.7	138.6
Switzerland	94.5	48.0
Europe (without Switzerland)	214.7	121.7
Other regions	17.7	7.0
<b>Total</b>	<b>480.6</b>	<b>315.3</b>

<sup>1</sup> by location of customers.

## 28. Segment Reporting

The Siegfried Group consists of one «reportable segment». Financial information is regularly reported to the Board of Directors at the level of the Siegfried Group as a whole. Based on this financial information the Siegfried Group is managed and their performance is measured.

The Siegfried Group provides its customers with comprehensive and integrated solutions for services in the development and production of active pharmaceutical ingredients, intermediates, complex dosage forms and products from its own portfolio. In principle the companies in the Siegfried Group provide all the services mentioned above.

## 29. Events after the Reporting Period

There are no significant events after the balance sheet date.

# Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

## Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Siegfried Holding AG, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 97 to 127), for the year ended December 31, 2015.

### Board of Directors' Responsibility

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

### Auditor's Responsibility

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

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

## Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2015 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

Andreas Kägi  
Audit expert

Basel, March 8, 2016







# Financial Statements Siegfried Holding AG

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# Balance Sheet of Siegfried Holding AG

In CHF (as of December 31)	2015	2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	4 911 482	17 218 437
Securities	10 006	–
Other current receivables due from third parties	6 269	5 641
Other current receivables due from Group companies	3 858 140	2 188 378
Accrued income and prepaid expenses	8 856 572	1 034 949
<b>Total current assets</b>	<b>17 642 469</b>	<b>20 447 405</b>
<b>Non-current assets</b>		
Loans to Group companies	463 934 393	344 128 203
Investments	209 631 976	165 553 976
Property, plant and equipment	606	854
Intangible assets	1 544	2 574
<b>Total non-current assets</b>	<b>673 568 519</b>	<b>509 685 607</b>
<b>Total assets</b>	<b>691 210 988</b>	<b>530 133 012</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Short-term interest-bearing liabilities third parties	–	11 864 000
Short-term liabilities due from Group companies	20 248 127	19 955 735
Other short-term liabilities due from third parties	289 283	393 057
Accrued expenses and deferred income	2 436 729	4 265 647
<b>Total short-term liabilities</b>	<b>22 974 139</b>	<b>36 478 439</b>
<b>Non-current liabilities</b>		
Long-term interest-bearing liabilities third parties	69 487 000	38 559 700
Hybrid capital	160 000 000	–
<b>Total long-term liabilities</b>	<b>229 487 000</b>	<b>38 559 700</b>
<b>Total liabilities</b>	<b>254 174 379</b>	<b>75 038 139</b>
<b>Shareholders' equity</b>		
Share capital	8 300 000	8 300 000
Legal reserves	2 800 000	2 800 000
Reserves from capital contribution	104 267 413	110 252 410
Free reserves	351 927 890	340 584 544
Treasury shares	–37 186 475	–19 214 596
Statutory retained earnings	8 641 021	12 372 514
<b>Total shareholders' equity</b>	<b>438 749 849</b>	<b>455 094 872</b>
<b>Total liabilities and shareholders' equity</b>	<b>691 210 988</b>	<b>530 133 012</b>

# Income Statement of Siegfried Holding AG

In CHF	2015	2014
<b>Income</b>		
Financial income	34 857 046	14 845 099
Service income	9 610 169	8 385 709
Non-recurring income	–	3 708 812
<b>Total income</b>	<b>44 467 215</b>	<b>26 939 620</b>
<b>Expenses</b>		
Personnel expense	149 590	1 276 561
Administrative expense	8 392 450	2 192 780
Financial expense	27 207 570	11 029 788
Taxes	75 306	65 900
Depreciation on non-current assets	1 278	2 077
<b>Total expenses</b>	<b>35 826 194</b>	<b>14 567 106</b>
<b>Net profit</b>	<b>8 641 021</b>	<b>12 372 514</b>

# 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. These financial statements have been drawn up in accordance with the provisions governing commercial accounting of the Swiss Code of Obligations (Art. 957–963b OR, applicable from January 1, 2013).

The number of full-time equivalent employees is not on average above ten.

## Guarantees and Securities

As security for the liabilities in connection with the new syndicated loan there is a guarantee in the amount of CHF 265.6 million. At December 31, 2015 further guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 5.5 million and EUR 1.5 million (2014: CHF 5.0 million., USD 4.0 million and EUR 1.5 million).

## Balance Sheet

### Investments

As of December 31, 2015, Siegfried Holding AG holds the following investments, direct or indirect:

Group companies	in LC	Participation	Share capital 2015	Share capital 2014
<b>Operating</b>				
Siegfried AG, Zofingen (Switzerland)	CHF	100.00%	20 000 000	20 000 000
Siegfried (USA), LLC, Pennsville, NJ (USA)	USD	100.00%	500 000	500 000
Siegfried International AG, Zofingen (Switzerland)	CHF	100.00%	2 000 000	2 000 000
Siegfried Malta Ltd., Valletta (Malta)	EUR	100.00%	100 000	100 000
Siegfried GmbH, Munich (Germany)	EUR	100.00%	25 000	25 000
Siegfried Hong Kong Ltd., Hong Kong (China)	HKD	100.00%	1 000	1 000
Alliance Medical Products Inc., Irvine, CA (USA)	USD	100.00%	116 521	116 521
Siegfried (Nantong) Pharmaceuticals Co. Ltd. (China)	CNY	100.00%	346 925 622	346 925 622
Hameln Pharmaceuticals GmbH, Hameln (Germany)	EUR	100.00%	750 000	750 000
Hameln RDS GmbH, Hameln (Germany)	EUR	100.00%	30 000	30 000
Siegfried Evionnaz SA, Evionnaz (Switzerland)	CHF	100.00%	1 000 000	–
Siegfried PharmaChemikalien Minden GmbH, Minden (Germany)	EUR	100.00%	50 000	–
Siegfried St. Vulbas SAS, Saint Vulbas (France)	EUR	100.00%	15 200 000	–
<b>Finance and administration</b>				
Siegfried Finance AG, Zofingen (Switzerland)	CHF	100.00%	14 000 000	14 000 000
Siegfried Deutschland Holding GmbH, Lörrach (Germany)	EUR	100.00%	1 790 000	1 790 000
Siegfried USA Holding Inc., Pennsville, NJ (USA)	USD	100.00%	3 000	3 000
Siegfried Deutschland Real Estate GmbH, Lörrach (Germany)	EUR	100.00%	25 000	25 000
Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	EUR	100.00%	25 000	25 000
<b>Joint venture</b>				
Alpine Dragon Pharmaceuticals Ltd., Huangyang, Gansu Province (China)	CNY	49.00%	10 542 708	10 542 708

### Non-Current Assets

Investments in subsidiaries and affiliates include those companies in which Siegfried Holding AG has an interest of more than 20%. The investments are valued at acquisition cost less valuation allowances. The long-term loans to affiliates are used for the financing of capital expenditures and other operational activities. The loans increased in 2015 by CHF 163.9 million due to high acquisition – and investment activities. The intangible assets include capitalized software.

## Current Assets

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

## Shareholders' Equity

The share capital is divided into 4 150 000 registered shares, with a nominal value of CHF 2 each. The legal reserves are unchanged and amount to CHF 2.8 million. In addition there is a reserve from capital contribution of CHF 104.3 million (2014: CHF 110.3 million). The treasury shares are shown as a negative balance in equity.

## Conditional Capital

The conditional capital to serve the Long Term Incentive Plan (LTIP) and other management plans remains unchanged at CHF 420 000 for 210 000 shares.

## Treasury Shares

In the reporting year Siegfried Holding AG has made purchases and sales of Siegfried shares. On balance, the inventory fell by 85 701 shares. The inventory of treasury shares increased significantly as a result of the backing for the private hybrid-convertible bond. The shares are valued at the average rate.

CHF	Number of shares	Average prices
<b>At January 1, 2014</b>	<b>262 249</b>	<b>127.4</b>
Purchases Jan. – Dec. 2014	145 185	156.5
Sales Jan. – Dec. 2014	– 273 195	151.3
<b>At December 31, 2014</b>	<b>134 239</b>	<b>143.3</b>
Purchases Jan. – Dec. 2015	255 355	150.3
Sales Jan. – Dec. 2015	– 169 654	167.8
<b>At December 31, 2015</b>	<b>219 940</b>	<b>169.1</b>

## Liabilities

In July 2015 the existing syndicated credit agreement was prematurely superseded by a new syndicated credit agreement covering a credit line of CHF 400.0 million (old credit line CHF 250.0 million) with a duration of five years (2015–2020). The net proceeds from the issue of two hybrid bonds were repaid to the credit line and reduced it to CHF 241.4 million. At December 31, 2015 the syndicated loan was drawn down in the equivalent of CHF 225.0 million, including USD and EUR. At the reporting date Siegfried Holding had drawn down loans in the amount of CHF 69.5 million, of which CHF 25.0 million and USD 45.0 million (2014: CHF 100.8 million, of which CHF 50.4 million and USD 51.0 million).

The two hybrid bonds are a hybrid convertible bond in the amount of CHF 60 million privately placed on September 29, 2015, and a hybrid bond in the amount of CHF 100 million publicly placed on October 26, 2015. Both hybrid bonds are subordinated bonds with an indeterminate duration. The hybrid bonds have a first call date after five years. If this is not exercised, the result is a higher rate of interest payable (step up).

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

## Income Statement

In the reporting year and in the prior year no dividend distributions were received from subsidiary companies. Financial income includes interest income on receivables from group companies, exchange gains and income from securities. The proceeds of charging services to group companies are reported in service income.

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

## Loans and Share Ownership of the Board of Directors and the Executive Management

### Loans to Members of Executive Bodies

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

At December 31, 2015, Siegfried Holding AG and its group companies have not granted any securities, loans, advances or credits to the members of the Board of Directors or the Executive Management or to persons closely related to them.

## Share Ownership of the Board of Directors and the Executive Management

In 2015, 3000 shares with a value of CHF 0.5 million were distributed to the members of the Board of Directors. On December 31, 2015, the non-executive members of the Board of Directors and persons closely related to them owned 38 269 (2014: 45 309) registered shares of Siegfried Holding AG. This represents 0.9% (2014: 1.1%) 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 156 899 (2014: 209 869) registered shares, i.e. 3.8% (2014: 5.1%) of the share capital of Siegfried Holding AG.

December 31, 2015				
	Function	Number of shares	of which blocked	
<b>Board of Directors</b>				
Andreas Casutt	Chairman	16 500	7 975	
Thomas Villiger	Vice-Chairman	5 735	4 117	
Colin Bond	Member	1 500	1 500	
Wolfram Carius	Member	1 000	1 000	
Reto Garzetti	Member	13 534	5 642	
<b>Executive Management</b>				
Rudolf Hanko	CEO	70 000	31 344	
Michael Hüsler	CFO	16 002	15 512	
René Imwinkelried	Head Research & Development	11 622	6 824	
Walter Kittl	Head Technical Operations	14 054	11 854	
Arnoud Middel	Head Human Resources	6 425	6 418	
Marianne Späne	Head Business Development & Sales	25 180	17 145	
Wolfgang Wienand	Head Strategy and M&A	13 616	12 905	
<b>December 31, 2014</b>				
	Function	Number of shares	of which blocked	
<b>Board of Directors</b>				
Andreas Casutt	Chairman	15 500	12 450	
Felix K. Meyer	Vice-Chairman	10 040	10 040	
Reto Garzetti	Member	13 034	13 034	
Colin Bond	Member	1 000	1 000	
Thomas Villiger	Member	5 235	5 235	
Wolfram Carius	Member	500	500	
<b>Executive Management</b>				
Rudolf Hanko	CEO	70 745	60 427	
Michael Hüsler	CFO	30 002	30 002	
René Imwinkelried	Head Research & Development	11 047	9 447	
Walter Kittl	Head Technical Operations	24 054	23 951	
Arnoud Middel	Head Human Resources	12 625	12 625	
Marianne Späne	Head Business Development & Sales	34 680	32 799	
Wolfgang Wienand	Head Strategy and M&A	26 716	24 816	



## Major Shareholders

Shareholders representing more than 3.0% relating to the number of Siegfried shares at year end of 4 150 000 (2014: 4 150 000):

- According to its own statement, Tweedy, Browne Company LLC, New York, USA, holds an interest of 9.0% of the shares of Siegfried Holding AG (2014: 9.0%).
- Rainer-Marc Frey holds 8.7% (2014: 8.7%) of the shares in Siegfried Holding AG.
- According to their own statement, the Kreissparkasse Biberach, Biberach, Germany (Bayerninvest Kapitalgesellschaft mbH, München and LBBW Asset Management Investment GmbH, Stuttgart) holds 3.3% (2014: 3.3%) of the shares in Siegfried Holding AG.
- EOP Participants (blocked until 2016) 4.8% (2014: 4.8%)

## Events after the Reporting Period

There are no significant events after the balance sheet date.

# Proposal of the Board of Directors to the Annual General Meeting of April 15, 2016, regarding Appro- priation of the Retained Earnings and the Distribution from Reserves from Capital Contribution

In CHF	2015
Profit for the year	8 641 021
Balance brought forward	–
Statutory retained earnings	8 641 021
Appropriation of retained earnings to free reserves	8 641 021
<b>Balance to be carried forward</b>	<b>–</b>
Reserves from capital contribution as of December 31, 2014	110 252 410
Distribution in 2015	–5 984 997
Total reserves from capital contribution as of December 31, 2015	104 267 413
Distribution of CHF 1.80 per registered share on 3 886 667 distribution-entitled shares	–6 996 001
<b>Reserves from capital contribution carried forward</b>	<b>97 271 412</b>

The total amount of distribution mentioned in the proposal of the Board of Directors has been calculated on the basis of number of shares entitled for distribution on the day of the approval of the Board of Directors meeting. The number of shares entitled for distribution can still change up to the Annual General Meeting on April 15, 2016.

# Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

## Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Siegfried Holding AG, which comprise the balance sheet, income statement and notes (pages 132 to 139), for the year ended December 31, 2015.

### 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 December 31, 2015 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

Andreas Kägi  
Audit expert

Basel, March 8, 2016



# Key Figures Overview 2011–2015

## Consolidated Figures

		2015	2014	2013	2012	2011
Net sales	CHF million	480.6	315.3	374.9	367.8	328.1
Growth	in %	52.4	-15.9	2.0	12.1	4.4
EBITDA	CHF million	77.1	58.8	65.6	45.4	36.5
Growth	in %	31.1	-10.4	44.7	24.1	30.1
EBITDA margin	in %	16.0	18.6	17.5	12.3	11.1
Operating profit (EBIT)	CHF million	43.4	34.0	40.8	17.9	12.5
Growth	in %	27.6	-16.7	127.9	43.5	n/a
Operating margin	in %	9.0	10.8	10.9	4.9	3.8
Annual result	CHF million	39.1	38.6	53.9	20.9	9.7
Net profit margin	in %	8.1	12.2	14.4	5.7	3.0
Net cash/(net debt)	CHF million	-177.3	-85.2	50.4	25.8	52.6
Net Working Capital <sup>1</sup>	CHF million	314.2	147.9	130.1	137.0	122.2
As % of net sales		40.5	41.6	34.7	37.3	37.2
Total assets	CHF million	1 003.9	629.6	537.8	477.4	430.6
Equity	CHF million	492.7	382.8	362.4	316.3	353.5
Equity ratio	in %	49.1	60.8	67.4	66.3	82.1
Market capitalization <sup>2</sup>		769.0	650.0	572.0	435.0	329.0
Average capital employed <sup>3</sup>	CHF million	562.0	384.7	331.5	327.8	301.4
Return on capital employed (average) ROCE <sup>4</sup>	in %	13.7	15.3	19.8	13.8	12.1
Cash flow from operating activities	CHF million	23.1	24.6	67.5	54.3	29.4
As % of net sales		4.8	7.8	18.0	14.8	8.9
Free cash flow	CHF million	-66.3	-57.3	23.5	38.4	27.7
As % of net sales		-13.8	-18.2	6.3	10.5	8.4
Investments in PPE and intangible assets	CHF million	95.0	82.0	51.9	22.8	13.5
As % of net sales		19.8	26.0	13.8	6.2	4.1
Depreciation and amortization/impairment	CHF million	33.7	24.8	24.8	27.4	24.1
As % of net sales		7.0	7.9	6.6	7.5	7.3
Employees (number of FTEs) <sup>5</sup>	Number	2 238	1 374	917	832	715
Change vs. previous year	in %	62.9	49.8	10.2	16.4	2.7
Sales per employee	CHF	291 600	316 500	408 877	442 012	458 874
Change vs. previous year	in %	-7.9	-22.6	-7.5	-3.7	1.6

<sup>1</sup> Calculation of net working capital: Trade Receivables + Inventories – Trade Payables – Customer Prepayments.

<sup>2</sup> Calculated on the weighted average number of shares outstanding, deducting treasury shares.

<sup>3</sup> Calculation of capital employed: PPE + Intangible Assets + Net Working Capital.

<sup>4</sup> Calculation ROCE: EBITDA in relation to average capital employed over twelve months.

<sup>5</sup> Year-end values.

# Stock Market Data

			2015	2014	2013	2012	2011
Registered shares nom. CHF 2			4 150 000	4 150 000	3 800 000	3 800 000	3 800 000
Share capital	CHF million		8.3	8.3	7.6	7.6	7.6
Gross dividend per registered share <sup>1</sup>	CHF		1.80	1.50	1.50	1.20	1.00
Total dividend paid	CHF		7 470 000	6 225 000	5 700 000	4 560 000	3 800 000
Market prices registered share	high	CHF	206.2	171.0	163.5	122.0	110.0
	low	CHF	139.5	139.0	109.3	83.7	80.0
Year-end	CHF		195.7	162.0	161.6	114.3	89.8
Dividend yield per registered share <sup>2</sup>	%		0.9	0.9	0.9	1.0	1.3
Earnings per share – EPS – non-diluted <sup>3</sup>	CHF		9.89	9.97	15.07	5.76	2.61
Earnings per share – EPS – diluted <sup>4</sup>			9.76	9.92	13.73	5.55	2.55
Consolidated operating cash flow per registered share <sup>3</sup>	CHF		5.8	8.6	19.0	15.0	8.0
Consolidated equity and reserves per registered share <sup>3</sup>	CHF		124.6	99.0	101.5	87.3	96.3
P/E ratio (year-end) <sup>2</sup>			20	16	12	21	35
Market capitalization at year-end <sup>3</sup>	CHF million		769	650	572	435	329

<sup>1</sup> For 2015 proposal to the General Meeting.

<sup>2</sup> Calculated on the basis of year-end share price and diluted EPS.

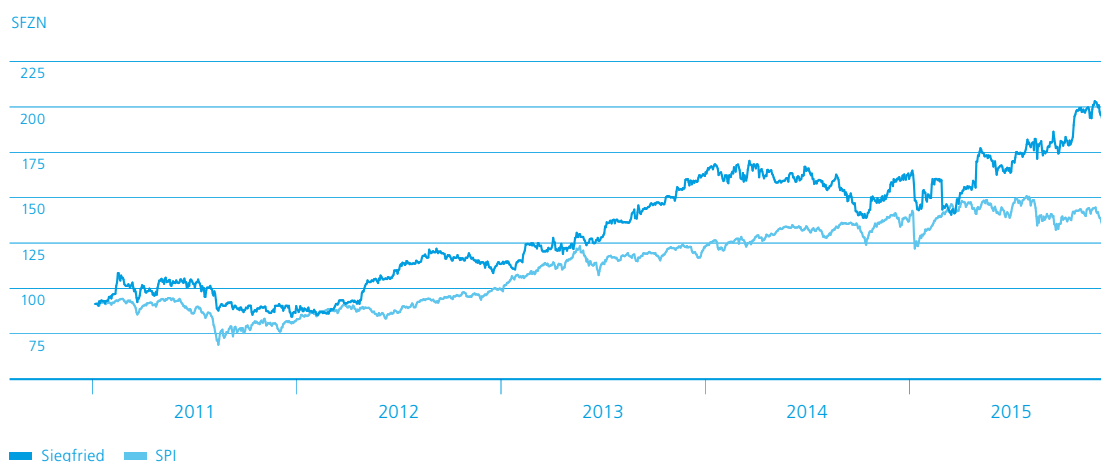
<sup>3</sup> Calculated on the weighted average number of shares outstanding, deducting treasury shares.

<sup>4</sup> 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 SFFZn Telekurs SFZN

Share price development from January 1, 2011 to December 31, 2015



# Shareholder Base

As of December 31, 2015, 2738 shareholders were registered in the share registry of Siegfried Holding AG, representing a shareholding of 68.35% of the total share capital. The distribution of the shares among the shareholders was as follows:

Distribution of shares as of December 31, 2015	Shareholders	Shares per category	%
1–10	342	1 926	0.05
11–100	1 201	63 509	1.53
101–1000	972	314 825	7.59
1 001–10 000	173	536 165	12.92
10 001–100 000	45	990 734	23.87
100 001–1 000 000	5 <sup>1</sup>	929 553	22.40
	2 738	2 836 712	68.35
Own shares and non-registered shares	n. a.	1 313 288	31.65
<b>Total shares</b>		<b>4 150 000</b>	<b>100.00</b>

Shareholdings by segment as of December 31, 2015, was as follows:

Holdings by segment as of December 31, 2015	Shareholders	Shares per category	%
Key shareholders (>3%)	3 <sup>2</sup>	711 945	17.16
Individuals	2 503	1 047 531	25.24
Institutional investors	232	1 077 236	25.96
Own shares and non-registered shares	n. a.	1 313 288	31.65
	n. a.	<b>4 150 000</b>	<b>100.00</b>

<sup>1</sup> Including one custodian holding over 3% of the share capital for the account of third parties that has been registered as nominee.

<sup>2</sup> Without EOP participants and own shares.

# Publications

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

Shareholders are informed semi-annually on the state of the business and receive the annual report and the semi-annual report upon request. The annual report, minutes of the previous General Meeting, media releases, important information and the current share price can be found at [www.siegfried.ch](http://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 2016, the company will inform about the course of business as follows:

**March 22, 2016:**

Publication of results for the 2015 business year at a media and analyst conference in Zurich

**April 15, 2016:**

Annual General Meeting of Shareholders

**August 23, 2016:**

Publication of 2016 half-year financial results



# Cautionary Statement regarding Forward-Looking Statements

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

The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Siegfried’s earnings or earnings per share for 2016 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.