



Siegfried

Excelling Operationally

Half-Year Report
2017

Key Figures

	1st Half-Year 2017	1st Half-Year 2016	Change CHF (LC)
Net sales (million CHF)	349.1	353.6	-1.25% (-0.89%)
Gross profit (million CHF)	67.3	57.5	17.0%
Gross profit margin in percentage	19.3%	16.3%	
Results			
EBITDA (million CHF)	52.9	43.7	20.9%
EBITDA margin in percentage	15.2%	12.4%	
EBIT (operating result) (million CHF)	30.0	19.9	51.1%
EBIT margin in percentage	8.6%	5.6%	
Net profit (million CHF)	21.6	14.0	55.1%
Net profit-margin in percentage	6.2%	3.9%	
Non-diluted earnings per share (CHF)	5.56	3.59	54.8%
Diluted earnings per share (CHF)	5.10	3.56	43.2%
Cash flow from operating activities (million CHF)	18.8	24.2	-22.4%
Investment in property, plant and equipment and intangible assets (million CHF)	22.7	36.5	-37.9%
	June 30, 2017	December 31, 2016	Change
Equity (million CHF)	668.3	660.7	1.2%
Total assets (million CHF)	1 027.7	1 021.4	0.6%
Equity as a percentage of total assets	65.0%	64.7%	
Employees (number of full time positions)	2 318	2 315	0.13%

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Siegfried Reports Higher Profit and Increased Margin for First Six Months

The Siegfried Group (SIX: SFZN) reports higher earnings and a clearly higher margin at stable sales for the first half of 2017. The company generated net sales of 349.1 million francs compared to 353.6 million francs in the corresponding period of the previous year (minus 0.9% in local currencies or minus 1.3% in Swiss francs). Earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 20.9% to 52.9 million francs (2016: 43.7 million francs). The EBITDA margin increased by 2.8 percentage points to a gratifying 15.2% (2016: 12.4%), while net profit rose by 55.1% to 21.6 million francs (2016: 14.0 million francs).

Siegfried CEO Rudolf Hanko: "Siegfried again posted sound results. In only the second year following the acquisition of BASF's active pharmaceutical ingredients (API) business, including three production sites, we took considerable advantage of synergies while keeping sales stable. Therefore, Siegfried returned to the lower end of the EBITDA target corridor of 15–20% earlier than expected, thereby providing a very good basis for the company's continued strategic development."

Siegfried's workforce in full-time equivalents (FTE) remained stable at 2 318 on 30 June 2017. As of 31 December 2016 the number of full-time equivalents was shown as 2 315.

Earnings before interest and taxes (EBIT) grew by 51.1% to 30 million francs, corresponding to a margin of 8.6%, or 3 percentage points above that of the corresponding period of the previous year. As a result, net profit developed positively from 14 million francs in the previous year to 21.6 million francs in the period under review. This corresponds to an undiluted net profit of 5.56 francs per share (previous year: 3.59 francs), or a diluted net profit per share of 5.10 francs (previous year: 3.56 francs).

Growing Sales of Finished Dosage Forms

Sales of active pharmaceutical ingredients (APIs) and intermediates were 263 million francs, 9 million francs below the corresponding period last year. In APIs, a distinction is made between exclusive synthesis (exclusive production for one customer) and portfolio products/controlled substances which are marketed and sold to multiple customers. The sales decline is due mainly to a shift of necessary maintenance downtimes from the 2016 financial year to the first half of 2017. By contrast, sales in portfolio products/controlled substances grew marginally.

Sales of finished dosage forms, especially in the field of sterile filling, increased significantly by about 5 million francs.

Currently, APIs and intermediates represent about three quarters of Siegfried's sales and finished dosage forms, consisting of sterile filling and solid dosage forms (tablets and capsules), one quarter.

Intensified Cooperation with Important Customers

Siegfried concluded significant agreements in the first half of 2017, thereby enhancing strategic partnerships. In particular, the US pharmaceutical company Bristol-Myers Squibb (BMS) has extended their current contract, consolidating and expanding a long-term partnership between both companies.

Siegfried CEO Rudolf Hanko: "We are very pleased that this contract renewal elevates our strategic partnership with BMS to a new level."

Finalization of Extension in Nantong and Zofingen

In Nantong, commissioning of the production plant is progressing according to schedule. Siegfried expects a first inspection by the US regulatory authority, FDA, to be carried out in 2018. Capacity utilization in the new Zofingen production plant is being expanded gradually. With complete utilization, Siegfried will close down inefficient production facilities in Zofingen. The construction of a new logistics building is also progressing according to schedule and will be ready for use in the third quarter of 2018.

Outlook 2017

Siegfried expects business development in the second half-year to remain positive. The second half-year will be stronger. Therefore, for the entire 2017 financial year, Siegfried expects sales compared to the previous year to grow in the single-digit and EBITDA in the double-digit percentage range.

Key Figures

EBITDA

EBITDA grew by 20.9% in the first half of 2017.

EBIT

EBIT grew by 51.1% in the first half of 2017.

EBITDA

52.9

EBITDA is reported at 52.9 million Swiss francs for the first half of 2017. (Previous year: 43.7 million francs).

EBIT

30.0

Operating income (EBIT) is reported at 30.0 million Swiss francs for the first half of 2017. (Previous year: 19.9 million francs).

EBITDA margin

15.2%

The EBITDA margin increased by 2.8 percentage points to a gratifying 15.2% (2016: 12.4%).

EBIT margin

8.6%

The EBIT margin in the first half of 2017 amounted to 8.6% (2016: 5.6%).

Consolidated Balance Sheet

In 1000 CHF	June 30, 2017	December 31, 2016
Assets		
Non-current assets		
Property, plant and equipment	481 096	488 234
Intangible assets	8 318	9 048
Investments in associated companies and joint ventures	449	473
Financial and other non-current assets	3 516	3 524
Employer contribution reserves	9 000	9 151
Deferred tax assets	40 918	42 803
Total non-current assets	543 297	553 233
Current assets		
Inventories	260 484	243 669
Trade receivables	152 949	155 771
Other current assets	30 306	29 029
Accrued income and prepaid expenses	11 458	7 115
Current income taxes	221	433
Derivative financial instruments	45	471
Cash	28 895	31 636
Total current assets	484 358	468 124
Total assets	1 027 655	1 021 357
Liabilities and equity		
Equity		
Share capital	8 422	8 333
Treasury shares	-54 087	-51 787
Capital reserves	75 727	75 699
Hybrid capital	315 985	315 985
Retained earnings	322 301	312 506
Total equity	668 347	660 736
Non-current liabilities		
Non-current financial liabilities	100 000	91 107
Non-current provisions	21 784	25 105
Deferred tax liabilities	4 427	4 638
Other non-current liabilities	563	1 869
Non-current pension liabilities	114 872	114 268
Total non-current liabilities	241 646	236 987
Current liabilities		
Trade payables	40 661	55 336
Other current liabilities	21 266	18 017
Accrued expenses and deferred income	43 693	37 638
Derivative financial instruments	385	385
Current pension liabilities	739	136
Current provisions	7 722	9 669
Current income tax liabilities	3 196	2 453
Total current liabilities	117 662	123 634
Total liabilities	359 308	360 621
Total liabilities and equity	1 027 655	1 021 357

Consolidated Income Statement

In 1000 CHF	1st Half-Year 2017	1st Half-Year 2016
Net sales	349 148	353 564
Cost of goods sold	-281 848	-296 048
Gross profit	67 300	57 516
Marketing and sales costs	-8 542	-8 383
Research and development costs	-13 355	-10 625
Administration and general overhead costs	-18 793	-21 448
Other operating income	3 411	2 814
Share of results of associated companies	-7	-13
Operating result	30 014	19 861
Financial income	16	19
Financial expenses	-3 812	-4 090
Exchange rate differences	-1 776	-86
Profit before income taxes	24 442	15 704
Income taxes	-2 798	-1 747
Net profit	21 644	13 957
Non-diluted earnings per share (CHF)	5.56	3.59
Diluted earnings per share (CHF)	5.10	3.56

Condensed Consolidated Statement of Cash Flows

In 1000 CHF	1st Half-Year 2017	1st Half-Year 2016
Net profit	21 644	13 957
Depreciation and impairment of PP&E and intangible assets	22 891	23 882
Financial result	5 572	4 157
Other non-cash items	1 969	4 531
Cash flow from operating activities before change in net current assets	52 076	46 527
Change in net current assets and other items	-33 308	-22 355
Cash flow from operating activities	18 768	24 172
Purchase of property, plant and equipment and intangible assets	-22 706	-36 538
Other cash flow from investing activities	308	2 617
Cash flow from investing activities	-22 398	-33 921
Capital increase	1 371	-
Increase in financial liabilities	9 025	20 943
Change in other non-current liabilities	-440	-581
Purchase/disposal of treasury shares, net	1 314	-13 040
Interest paid and bank charges	-2 181	-4 012
Dividend to the shareholders of Siegfried Holding AG	-7 831	-6 993
Cash flow from financing activities	1 258	-3 683
Net change in cash	-2 372	-13 432
Cash at the beginning of the year	31 636	47 386
Net effect of exchange rate changes on cash	-369	-244
Cash at the end of the period	28 895	33 710

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
As of January 1, 2017	8 333	-51 787	75 699	315 985	161	378 698	-66 353	660 736
Net profit	-	-	-	-	-	21 644	-	21 644
Dividends	-	-	-7 831	-	-	-	-	-7 831
Interest on Hybrid capital	-	-	-	-	-	-4 200	-	-4 200
Changes in financial instruments	-	-	-	-	1 055	-	-	1 055
Employee share plan	-	-	-	-	-	-3 550	-	-3 550
Change in treasury shares	-	-2 300	-	-	-	3 574	-	1 275
Capital increase	89	-	7 859	-	-	-	-	7 948
Currency translation differences	-	-	-	-	-	-	-8 730	-8 730
As of June 30, 2017	8 422	-54 087	75 727	315 985	1 217	396 166	-75 083	668 347
As of January 1, 2016	8 300	-37 197	79 753	157 495	-898	350 819	-65 618	492 654
Net profit	-	-	-	-	-	13 957	-	13 957
Dividends	-	-	-6 993	-	-	-	-	-6 993
Interest on Hybrid capital	-	-	-	-	-	-2 528	-	-2 528
Changes in financial instruments	-	-	-	-	73	-	-	73
Employee share plan	-	-	-	-	-	1 884	-	1 884
Change in treasury shares	-	-13 046	-	-	-	992	-	-12 054
Capital increase	33	-	2 973	-	-	-	-	3 006
Adjustment Goodwill	-	-	-	-	-	3 940	-	3 940
Currency translation differences	-	-	-	-	-	-	-2 933	-2 933
As of June 30, 2016	8 333	-50 243	75 733	157 495	-825	369 064	-68 551	491 006

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

Through the creation of new shares from conditional capital for the distribution of shares for participation plans the share capital of Siegfried Holding AG has increased from CHF 8.33 million to CHF 8.42 million. It is divided into 4 210 915 registered shares each with a nominal value of CHF 2 (2016: 4 166 591 registered shares).

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

Notes to the Financial Report

1. Accounting Principles

Scope of consolidation

This Half-Year Report includes the unaudited half-year consolidated financial statements of Siegfried Holding AG, which is domiciled in Switzerland, and its subsidiaries for the reporting period ended June 30, 2017 (1st half-year 2017). The half-year consolidated financial statements have been drawn up in accordance with Swiss GAAP FER 31 and should be read in conjunction with the Consolidated Financial Statements for the financial year ended December 31, 2016. The Group prepares its accounts in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). The accounting principles are set out in detail in the Annual Report 2016 of the Siegfried Group. The half-year consolidated financial statements were approved by the Board of Directors on August 18, 2017.

Information about the Group

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

2. Most Important Currency Translation Rates

Balance Sheet

Closing rates	June 30, 2017	December 31, 2016
1 USD	0.958	1.021
1 EUR	1.095	1.075
100 RMB	14.148	14.681

Income Statement

Average rates	1st Half-Year 2017	1st Half-Year 2016
1 USD	0.995	0.982
1 EUR	1.077	1.096
100 RMB	14.470	15.020

3. Scope of Consolidation

The scope of consolidation remained unchanged in the first half-year 2017.

4. Acquisitions

In the first half-year 2017 there was no acquisition.

In the previous reporting period the provisional acquisition price of the three BASF sites was adjusted and led to a reduction of the goodwill in the amount of CHF 3.9 million.

The payment of the earn-out in connection with the acquisition of Hameln Pharma was executed in the first half-year 2016. The payment was settled 75% in cash and 25% in Siegfried shares (5 346).

5. Share-Based Payments

In the first half-year of 2017 44 324 shares were created from conditional capital. They were utilized for the allocation of shares for the vesting period (2014–2016) of the Long Term Incentive Plan (LTIP) and the shares acquired by the employees under the Employee Share Purchase Plan (ESPP).

6. Seasonality

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

7. Contingent Liabilities

In comparison with the contingent liabilities at December 31, 2016, in the period under review there have been no changes.

8. Segment Information

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.

Net sales by product group

In CHF million	1st Half-Year 2017	1st Half-Year 2016
Drug Substances	262.9	272.2
Drug Products	86.2	81.4
Total	349.1	353.6

9. Events after the Balance Sheet Date

There are no significant events after the balance sheet date.

Share Information

			2017	2016	2015	2014	2013
Market prices registered share	high	CHF	296.5	216.9	206.2	171.0	163.5
	low	CHF	213.3	165.7	139.5	139.0	109.3
Year-end (2017: 30.6.)		CHF	270.8	213.0	195.7	162.0	161.6

Cautionary Statement regarding Forward-Looking Statements

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

The statement regarding 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 2017 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.

Publisher's Note

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

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Siegfried Worldwide

Siegfried, headquartered in Zofingen (Switzerland), operates worldwide at nine locations in six countries on three continents. The production facilities are located in Switzerland, the USA, Malta, China, Germany and France.



The Siegfried Group is a leading supplier in the global CMO market with production facilities in Switzerland, the USA, Malta, China, Germany, and France. Siegfried employs a workforce of about 2300 employees (FTE) at nine sites in six countries. The Siegfried Holding AG, headquartered in Zofingen (Switzerland), is listed on the Swiss Exchange (SIX:SFZN).

We offer customized solutions for services in the development and production of active pharmaceutical ingredients, intermediates, and complex dosage forms (including sterile filling) as well as products from our portfolio.

**expect
more**

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