

# Siegfried

In the Midst of  
People’s Lives –  
Across the Globe

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Maintain Position  
among the  
Global Leaders

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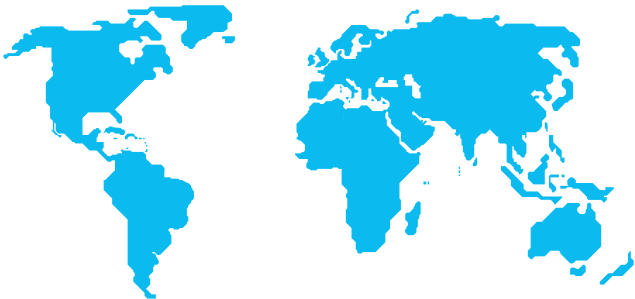
Technology and  
Process Innovation as  
Value Drivers

Page 19

## Efficiency is Our Key to Success

Network  
worldwide

Page 8–9



In the production of active pharmaceutical ingredients (API), intermediates and finished dosage forms, Siegfried counts on a global network of nine sites in six countries on three continents.

Interview  
Dr. Wolfgang Wienand

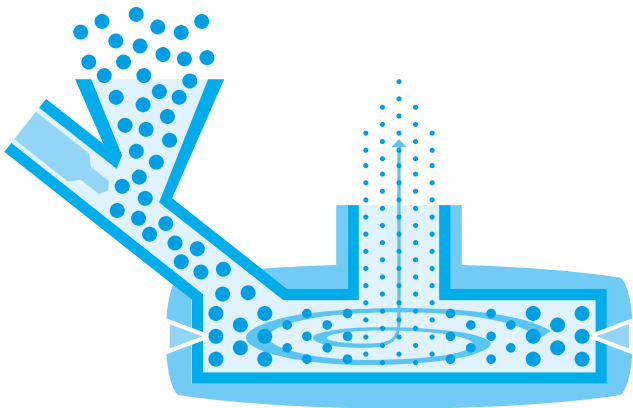
Page 14–15



“We have to be top class in our daily business while, at the same time, we aim to keep pace with the ongoing consolidation process in the market. A company actively shaping a consolidation process must be fit. We are fit.”

Focus  
Micronization

Page 21



Micronization is fine milling to particles below 20 microns. It is a key bridging technology between drug substance and drug product services. Ultra-fine milling – micronization – can significantly improve bioavailability.

Corporate Governance

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# Dear Shareholders



**Dr. Andreas Casutt**  
Chairman



**Dr. Wolfgang Wienand**  
Chief Executive Officer

Siegfried Group reported a good result for the 2018 financial year, the best in its corporate history. Sales amounted to 794.3 million Swiss francs, corresponding to a growth of 5.8 percent. Earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 14.5% to 127.4 million Swiss francs, corresponding to an EBITDA margin of 16.0 percent (2017: 14.8 percent). Earnings, therefore, again grew faster than sales. Siegfried achieved a significantly higher net profit of 57.5 million Swiss francs (2017: CHF 40.8 million), an increase of 40.9% (Results before special effects).

Based on the good annual results, the Board of Directors recommends to the Annual General Meeting a distribution to shareholders of 2.60 Swiss francs per share, structured as a distribution from capital contribution reserves (previous year: CHF 2.40).

For 2018, Siegfried reports an operating cash flow after change in net working capital of 106 million Swiss francs (2017: CHF 84.6 million), corresponding to an increase of 25.2%. Investments in tangible and intangible fixed assets amounted to 60.1 million Swiss francs (2017: CHF 52.8 million).

Drug substances and corresponding intermediates represent about three quarters of Siegfried's sales, and drug products about one quarter. The growth of approximately six percent (4.4% adjusted for currencies) is robust. Siegfried showed a slight growth in drug substances and a strong growth in sterile filling of liquids (vials, am-

poules, cartridges and others) and solid dosage forms (tables and capsules).

For the first time, sales include products manufactured at the Nantong site. Business with drug products grew by nearly one fifth, while both sterile filling as well as tablets and capsules improved.

**Stabilizing its leading position**

Today, the Siegfried Group is one of the world's top six suppliers to the pharmaceutical industry, also known as CDMOs (Custom Development and Manufacturing Organizations). At nine sites across three continents, the company produces a multitude of different active pharmaceutical ingredients and finished dosage forms. Siegfried developed into an important supplier to the pharmaceutical market and is capable of producing about 200 of a total of 1500 drug substances approved by the FDA, the US regulation authority. Siegfried therefore expects to support the medical treatment of about 40 million patients annually.

Siegfried aims to stabilize this leading position in the current year and create the preconditions for continued growth. While existing strategic partnerships with several large pharmaceutical companies represent the basis for this growth, new strategic customer relationships will be developed.

As an answer to the increasing demands from our customers and to take the best possible advantage of the opportunities provided by a growing market, the Siegfried

Group continues to strengthen its technological capabilities and further integrates its production activities across the entire network of manufacturing sites. Therefore, in the year under review, Siegfried invested in research & development and in additional production capacities. In Zofingen, some 40 new laboratory workplaces were completed in November 2018 and are now gradually being occupied according to market needs. It takes account of the entire group's growing demand for research & development capacity. The Hameln site is currently developing additional capacity and capabilities that will be used for the aseptic filling of biological drug substances. Corresponding customer contracts have been signed. In St. Vulbas, near Lyon, Siegfried invested in the adjustment and expansion of production facilities to process a large customer order. The product was formerly produced at our US production site in Pennsville only. In addition, Siegfried invested in optimizing internal processes. In early 2018, the company took into operation a new packaging and warehouse building in Irvine. In October 2018, a new logistics warehouse was inaugurated in Zofingen which will simplify processes at the site. In the course of the fourth quarter, the Hameln site was successfully integrated into Siegfried's worldwide SAP network.

For the current year, in order to meet the requirements of the intended growth, Siegfried is planning to make additional invest-

ments in its technological capability, optimization of business processes and additional production capacity.

**Consolidation to proceed**

Consolidation in the CDMO market will continue to proceed considering that today the ten leading CDMO companies have a market share of below 20 percent and size in this industry represents a competitive advantage. Consequently, for Siegfried, reaching and continuing to expand critical size remains a core element of its corporate strategy to assert and further expand its position at the forefront of the segment. It is Siegfried's ambition to grow constantly in line with the market and, in addition, to strengthen the company by means of acquisitions and thus provide for inorganic growth on top. As defined in its current "Evolve" strategy, Siegfried aims to make acquisitions in the field of both, drug substances and drug products. It remains a primary goal to offer both services – chemical and pharmaceutical development and large-scale technical production – as an integrated offering from a single source and thereby simplifying our customers' supply chains and making them more efficient. As in the past, we shall proceed in a disciplined manner and ensure that potential acquisition targets represent a good fit with Siegfried concerning culture, business activity, technology and price of acquisition and contribute to our corporate value.

“The Siegfried Group reported a good result for the 2018 financial year, the best in its corporate history. Sales amounted to 794.3 million Swiss francs, corresponding to a growth of 5.8 percent.”

Key Figures 2018

	2018	2017 <sup>1</sup>	Change CHF (LC)
Net sales (million CHF)	794.3	750.5	+5.8% (+4.4%)
Gross profit (million CHF)	156.5	138.8	+12.8%
Gross profit margin (%)	19.7%	18.5%	
Results before special effects <sup>2</sup>			
EBITDA (million CHF)	127.4	111.3	+14.5%
EBITDA margin (%)	16.0%	14.8%	
EBIT (operating result) (million CHF)	77.8	61.9	+25.7%
EBIT margin (%)	9.8%	8.3%	
Net profit (million CHF)	57.5	40.8	+40.9%
Net profit-margin (%)	7.2%	5.4%	
Non-diluted earnings per share (CHF)	13.81	10.28	+34.3%
Diluted earnings per share (CHF)	13.38	9.97	+34.2%
Cash flow			
Cash flow from operating activities (million CHF)	106.0	84.6	+25.2%
Free cash flow (million CHF)	46.0	32.3	+42.1%
Investment in property, plant and equipment and intangible assets (million CHF)	60.1	52.8	+13.7%
Balance sheet			
	December 31, 2018	December 31, 2017	Change
Equity (million CHF)	678.8	667.8	+1.6%
Total assets (million CHF)	1 103.1	1 071.0	+3.0%
Equity ratio (%)	61.5%	62.4%	
Employees (number of FTEs)	2 294	2 260	+1.0%

<sup>1</sup> Restatement see accounting policies – Employee benefits.  
<sup>2</sup> Restructuring costs Siegfried Evionnaz.



The complete financial report can be found starting from p.53 or can be downloaded at [report.siegfried.ch](http://report.siegfried.ch)

In the year under review, Siegfried’s sites were again repeatedly visited and audited by the FDA, the US American regulatory authority. The results were extremely gratifying. The Siegfried network gave no cause for concern and meets the demands of the various regulatory authorities.

Generation change in operational management

Operating activity of Siegfried’s longstanding Chief Executive Officer, Dr. Rudolf Hanko, came to an end on 31 December 2018. During his tenure, he initiated profound change to the company, enlarged the organization and took it to the top of the industry. In this period, the value of the company multiplied. In the name of all shareholders and the entire workforce, the Board of Directors and Executive Management wish to express their gratitude to Rudolf Hanko for his successful activity and untiring commitment to the company. At the 2019 Shareholders’ Meeting, the Board of Directors will propose the election of Dr. Rudolf Hanko to the Board.

With effect from 1 January 2019, Dr. Wolfgang Wienand took on responsibility for his new task as Chief Executive Officer. He joined Siegfried Group’s Executive Committee in 2010, and during this period he was in charge as Chief Scientific and Strategy Officer of Siegfried’s global research and strategy development and implementation. In the first months of the current year, he

visited each of Siegfried’s nine sites and presented his agenda to employees and management. In addition to the Siegfried Group’s strategic ambitions directed at the outside in accordance with the “Evolve” strategy, Wolfgang Wienand will pay attention to optimizing our internal business and management processes and adjust them to demands made by the rapid growth experienced in recent years and to the connected complexity. Of no less importance to him will be the network approach, in other words, the growing together of all our sites which, in total, have to obtain the best and most competitive offer for our customers. He attaches particular value to Siegfried acting as a global team across all of its sites and continuing to strengthen competitiveness through scientific and technological excellence and efficiency in all of technical and business procedures.

Sustainability as a central corporate value

As a partner of the international pharmaceutical industry, Siegfried places great emphasis on sustainability in all respects. Consequently, sustainability represents one of our central corporate values. Again, in its reporting, the Siegfried Group fully meets the standards of the Global Reporting Initiative (GRI). This involves not only the reputation of the company but also summarizing the wide range of measures and making them available internally and externally. A

materiality analysis was implemented in a work group which defined the nine most significant topics. These include product safety, environmental protection, fair working conditions including health and occupational safety, corruption and anticompetitive conduct, political representation of interests, and integration of the local population at the various sites. Both, the Executive Committee (ExeCom) and the Board of Directors regularly deal with topics concerning sustainability, especially the careful use of natural resources and corporate social responsibility. The sustainability report, which is also available online, shows that Siegfried enjoys high awareness for such issues and far-advanced instruments to implement them.

Out thanks to the employees

In the year under review, the Siegfried Group’s employees were again highly chal-

lenged and confronted with many changes. This was and is the only way to achieve continuing organic growth. Credit for this growth must be given to our dedicated and loyal workforce. We would like to take this opportunity to thank executive management and all employees for the great effort accomplished at all sites.

Outlook

For the current financial year, at constant currencies, the Siegfried Group expects to grow sales at least in the mid single-digit range and to continue to improve the operating earnings margin (EBITDA).

In closing, we would like to express our gratefulness to you, dear shareholders, for your support and loyalty to Siegfried. We will do everything in our power to ensure that the company remains on its successful course in the year under review and beyond and report continued growth.

Dr. Andreas Casutt  
Chairman

Dr. Wolfgang Wienand  
Chief Executive Officer

Facts & Figures 2018

Net sales

794.3 mio.

Net sales in 2018 reached 794.3 million Swiss francs.

Change in sales compared to the previous year

Sales grew by 5.8%.

EBITDA

EBITDA amounts to 127.4 million Swiss francs.

Change in EBITDA compared to the previous year

14.5%

The change compared to the previous year was +14.5%.

EBIT

77.8 mio.

The operating result (EBIT) amounts to 77.8 millionen Swiss francs.

Change in EBIT compared to the previous year

EBIT grew by 25.7%.

Net profit

Net profit amounts to 57.5 million Swiss francs.

Change in net profit compared to the previous year

40.9%

The change compared to the previous year was +42.4%.

Cashflow from operating activities

106.0 mio.

The cashflow from operating activities reached 106.0 million Swiss francs in 2018.

Employees

Siegfried employs 2364 people at 9 sites around the world.



Consolidated Balance Sheet

In 1000 CHF (as of December 31)	2018	2017 <sup>1</sup>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	520 597	500 209
Intangible assets	10 625	9 425
Investments in associated companies and joint ventures	416	475
Financial and other non-current assets	579	3 483
Employer contribution reserves	8 617	9 222
Deferred tax assets	28 402	34 645
<b>Total non-current assets</b>	<b>569 236</b>	<b>557 459</b>
<b>Current assets</b>		
Inventories	227 546	248 294
Trade receivables	217 009	189 160
Other current assets	38 566	35 403
Accrued income and prepaid expenses	6 373	6 034
Current income taxes	3 992	192
Securities	30	30
Derivative financial instruments	477	296
Cash and cash equivalents	39 880	34 137
<b>Total current assets</b>	<b>533 873</b>	<b>513 546</b>
<b>Total assets</b>	<b>1 103 109</b>	<b>1 071 005</b>
<b>Liabilities and equity</b>		
<b>Equity</b>		
Share capital	8 514	8 422
Treasury shares	– 56 139	– 21 601
Capital reserves	79 668	74 193
Hybrid capital	255 985	255 985
Retained earnings	390 749	350 789
<b>Total equity</b>	<b>678 777</b>	<b>667 787</b>
<b>Non-current liabilities</b>		
Non-current financial liabilities	110 000	100 000
Non-current provisions	28 917	16 951
Deferred tax liabilities	8 559	6 948
Other non-current liabilities	1 576	1 392
Non-current pension liabilities	123 986	130 197
<b>Total non-current liabilities</b>	<b>273 038</b>	<b>255 488</b>
<b>Current liabilities</b>		
Trade payables	69 344	71 316
Other current liabilities	31 887	19 221
Accrued expenses and deferred income	34 548	44 874
Derivative financial instruments	–	97
Current pension liabilities	499	406
Current provisions	10 598	6 917
Current income tax liabilities	4 418	4 899
<b>Total current liabilities</b>	<b>151 294</b>	<b>147 730</b>
<b>Total liabilities</b>	<b>424 332</b>	<b>403 218</b>
<b>Total liabilities and equity</b>	<b>1 103 109</b>	<b>1 071 005</b>

<sup>1</sup> Restatement see accounting policies – Employee benefits.

Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	2018	2017 <sup>1</sup>
Net sales	794 297	750 468
Cost of goods sold	– 637 769	– 611 657
<b>Gross profit</b>	<b>156 528</b>	<b>138 811</b>
Marketing and sales costs	– 16 122	– 16 228
Research and development costs	– 27 471	– 25 631
Administration and general overhead costs	– 43 350	– 41 290
Other operating income	6 733	6 264
Income of associated companies	– 38	– 8
<b>Operating result</b>	<b>76 280</b>	<b>61 918</b>
Financial income	74	35
Financial expenses	– 3 661	– 3 994
Exchange rate differences	– 2 529	– 96
<b>Profit before income taxes</b>	<b>70 164</b>	<b>57 863</b>
Income taxes	– 13 854	– 17 041
<b>Net profit</b>	<b>56 310</b>	<b>40 822</b>
Non-diluted earnings per share (CHF)	13.52	10.28
Diluted earnings per share (CHF)	13.10	9.97

<sup>1</sup> Restatement see accounting policies – Employee benefits.

Commentary

Dr. Reto Suter  
Chief Financial Officer



Following distinct growth in previous years, Siegfried reports again a sound result for 2018: sales of 794.3 million francs set a new record.

Siegfried reports higher sales for the 2018 financial year of CHF 794.3 million (2017: CHF 750.5 million, +5.8% in CHF or +4.4% in local currencies). Gross profit grew faster than sales (CHF 156.5 million) owing to higher utilization, portfolio effects and price increases.

EBITDA<sup>1</sup> (CHF 127.4 million), EBIT<sup>1</sup> (CHF 77.8 million) and Net Income<sup>1</sup> (CHF 57.5 million) were reported clearly higher than for the previous year. Sustained growth is reflected in increased margins at all levels: EBITDA margin<sup>1</sup> amounted to 16.0% (2017: 14.8%<sup>2</sup>), EBIT margin<sup>1</sup> (9.8%, 2017: 8.3%<sup>2</sup>) and Net Income margin<sup>1</sup> (7.2%, 2017: 5.4%<sup>2</sup>) improved significantly.

Cash Flow from Operating Activity for the first time exceeded the CHF 100 million mark; in the year under review it amounted to CHF 106.0 million. Deduction of Net Investments in Property, Plant and Equipment and Intangible Assets resulted in a Free Cash Flow of CHF 46.0 million.

Robust, Disproportionately High EBITDA Growth

Sales of CHF 794.3 million comprises CHF 595.5 million derived from Drug Substances and CHF 198.8 million from Drug Products. While Gross Profit grew by 12.8% to CHF 156.5 million, the Gross Profit margin increased by 1.2% to 19.7%.

Marketing and distribution costs in the year under review of CHF 16.1 million remained practically constant despite higher sales. Research & Development costs reflect the significance of this department and rose slightly to CHF 27.5 million. Administration and general costs increased to CHF 43.4 million.

This resulted in EBITDA<sup>1</sup> of CHF 127.4 million, a distinct increase of 14.5%.

Lower Financing Cost, Significantly Higher Net Profit

The financial result of CHF –6.1 million is reported higher than for the previous year

(2017: CHF –4.1 million<sup>2</sup>). This is due to higher currency differences (CHF –2.5 million, 2017: CHF –0.1 million). Expenses for interest on borrowed capital and fees of CHF 3.5 million were reported slightly lower than for the previous year (2017: CHF 3.7 million<sup>2</sup>). The financial result was influenced by a correction concerning interest effects from pension obligations. The previous year’s values were restated accordingly.

Tax expense for 2018 amounted to CHF 13.9 million, resulting in higher net profit<sup>1</sup> of CHF 57.5 million, or 40.9% above that of the previous year. Undiluted earnings per share (EPS)<sup>1</sup> amounted to CHF 13.81, diluted earnings per share<sup>1</sup> CHF 13.38 (2017: EPS<sup>2</sup> CHF 10.28, diluted EPS<sup>2</sup> CHF 9.97).

Substantial Increase in Operating Cash Flow and Free Cash Flow

In 2018, Siegfried reported operating cash flow after changes of net current assets of CHF 106.0 million (2017: CHF 84.6 million), representing substantial growth of 25.2 percent. Worth mentioning is a stock reduction (CHF –19.8 million) and the lower increase in trade receivables, loans and other receivables compared to the previous year (CHF +27.3 million; 2017: CHF +33.7 million). As in 2017, high sales were recognized in the last quarter of the year which resulted in above-average accounts receivables at year-end.

Investments in tangibles and intangibles of CHF 60.1 million are reported slightly above the previous year’s level (2017: CHF 52.8 million).

In 2018, the net amount of CHF 29.4 million was expended for the acquisition of treasury shares. Interest paid and bank charges amounted to CHF 10.4 million in 2018. Dividend distribution from capital reserves to shareholders implemented in April 2018 amounted to CHF 10.0 million.

At year-end, Siegfried had at its disposal more than CHF 39.9 million in liquid assets. Outstanding loans amounted to gross CHF 110.0 million. Consequently, net debt at the end of 2018 amounted to CHF 70.1 million, thereof CHF 56.1 treasury shares. Net debt in relation to EBITDA at year end was reported at 0.56 and the level of equity financing at 61.5 percent. Siegfried therefore has at its disposal necessary debt capacity to finance further growth steps.

The Board of Directors proposes to the General Meeting to be held on 17 April 2019 the distribution out of the capital contribution reserve of CHF 2.60 per share which, based on the number of shares entitled to a dividend, will result in a distribution of approximately CHF 10.7 million.

<sup>1</sup> Before special effects, restructuring costs Siegfried Evionnaz.  
<sup>2</sup> Restatement see accounting policies – Employee benefits.

# The Year 2018 in Review



## Announcement of management change

Siegfried announced the withdrawal of Dr. Rudolf Hanco as Chief Executive Officer of the Siegfried Group at year end. Dr. Wolfgang Wienand was appointed CEO of the Siegfried Group with effect from 1 January 2019.

Share price CHF

400

350

300

250

750.5 million CHF

**Publication of 2018 annual results**  
The Siegfried Group reported sales and margin growth for 2017.

## Siegfried acquired production facility of Arena Pharmaceuticals GmbH in Zofingen

With effect from 1 April 2018, the Siegfried Group acquired the production facility for finished dosage forms (tablets and capsules) including the entire workforce and business contracts of Arena Pharmaceuticals GmbH in Zofingen.



200

150

100

Construction activity

**New packaging and warehouse building in Irvine**  
Owing to production expansion, a new building was inaugurated in Irvine to provide urgently required space for storage of new products..

Inspections

**First GMP inspection by the Chinese FDA in Nantong**  
**Swissmedic inspection in Evionnaz**

**Inspection by the Brazilian health authority (ANVISA) in Hameln**

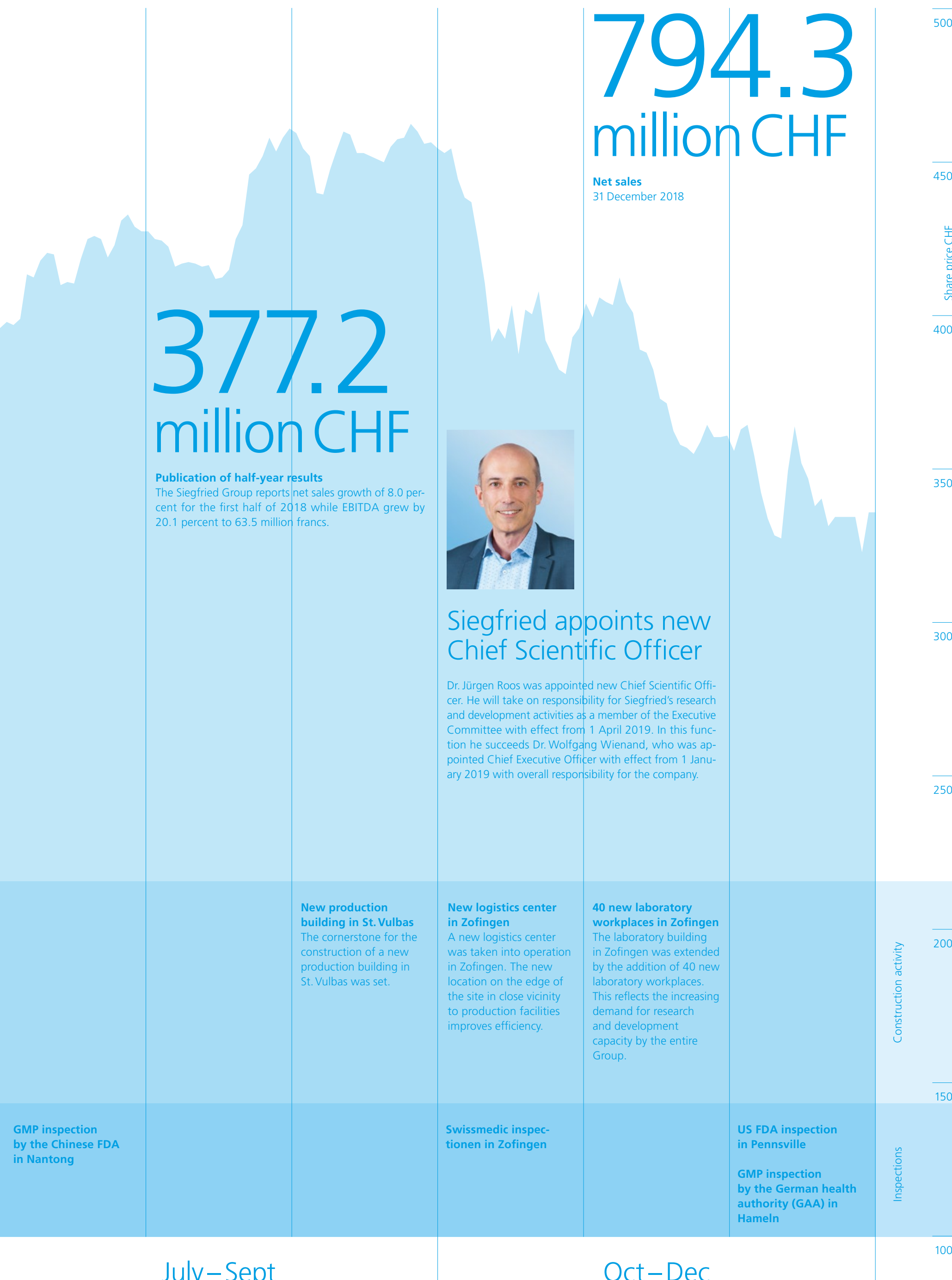
**US FDA inspection in Pennsville**  
**US FDA inspection in Hameln**

**US FDA inspection in Malta**

**US FDA inspection in St. Vulbas**

Jan – March

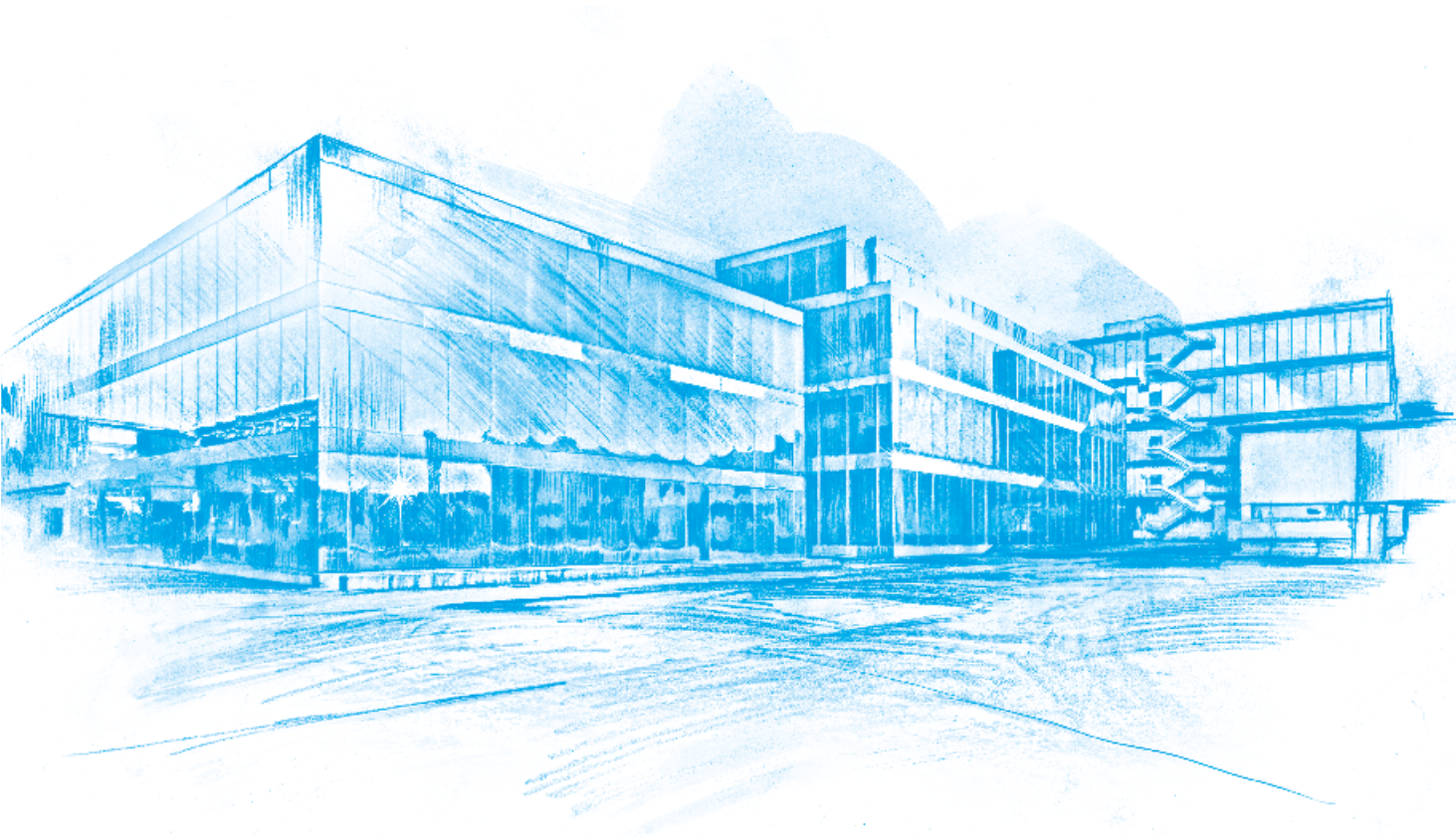
April – June






# First-class in Quality, Efficiency and Flexibility


Please find detailed contact information for all sites on page 73.




## 1 Zofingen HQ

Parent company: Our Swiss site in Zofingen is Siegfried's hub. The brand-new production building was designed in accordance with the state-of-the-art vertical-flow principle and supplies our global customers with proverbial Swiss quality. Siegfried is a well-respected employer in Zofingen, trains apprentices in various areas, cooperates with several universities and advanced technical colleges and, therefore, carries responsibility for future generations.

  
1873

  
555

  
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## 2 Pennsville

Specialist for spray drying: The site is located in the US state of New Jersey and produces mainly active pharmaceutical ingredients for the US market, such as controlled substances meeting particular requirements set out by the regulatory authorities. Thanks to its spray drying capacity, Pennsville also supplies our customers worldwide. Siegfried's PSD4 pharmaceutical spray dryer is one of the largest in the world and operates in accordance with cGMP regulations.

  
2005

  
169

  
○△✕



## 3 Hal Far

Center for solid dosage forms: Hal Far in Malta is our site for the production of solid dosage forms, such as tablets and capsules for the global market. The site includes a separate production area for highly effective substances. The offer ranges from tablets and capsules to blistered and packaged finished dosage forms.

  
2007

  
150

  
□



## 4 Irvine

Aseptic filling and packaging specialist: In Irvine, California, near Los Angeles, we fill and pack chemical and biological drug substances in syringes, vials and glass cartridges and dripper bottles (with cap closures and tips). From this site we serve not only American but also international customers and support customers at the early stages of clinical development.

  
2012

  
122

  
☆



## 5 Nantong

Our foothold in Asia: Erected in 2013 and put into operation in 2016, the site is our cGMP production site in China supplying all western countries as well as China. The offer comprises research & development, pilot plants and commercial production of active pharmaceutical ingredients. Nantong's cost-effective production environment improves our competitiveness in the global market.

  
2013

  
202

  
○△



9

Sites

6

Countries

3

Continents

In the production of active pharmaceutical ingredients (API), intermediates and finished dosage forms, Siegfried counts on a global network of nine sites in six countries on three continents.

Caption

Employees

With Siegfried since

Competencies

Active pharmaceutical ingredients (API)

Intermediates

Controlled substances

Oral dosage forms

Sterile filling

6

Hameln

Driver of future technologies: Our plant in Hameln specializes in sterile filling of vials and ampoules. Moreover, Hameln's business activity now includes aseptic filling of biologics. The Hameln site corresponds to an investment in an attractive market with potential for growth. Furthermore, Hameln provides contract development for finished dosage forms and regulatory services for injectable and topical applications.

7

Minden

Partner for high throughputs: In Minden, Siegfried commands a high know-how in the production of various active pharmaceutical ingredients. World-scale and modern multi-purpose plants for high throughputs allow for flexible production structures. Minden specializes in controlled substances and is active in exclusive synthesis. All processes comply with cGMP guidelines.

8

Evionnaz

Active pharmaceutical ingredients and intermediates: The site in Evionnaz (Switzerland) is our production site for chemical development and production offering our customers intermediates and active pharmaceutical ingredients from only a few grams to several tons. Evionnaz is active mainly in exclusive synthesis of patent-protected active pharmaceutical ingredients and intermediates.

9

St. Vulbas

State-of-the-art plant for active pharmaceutical ingredients: The Siegfried site located in St. Vulbas in France masters a wide range of technologies including cryogenic and phosgenic reactions and produces various active pharmaceutical ingredients in a modern production facility. The site cooperates closely with the plant in Evionnaz.

2014

435

☆

2015

333

○△×

2015

287

○△

2015

111

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# In the Midst of People’s Lives – Across the Globe

The Siegfried Group is one of the world’s leading CDMOs\* developing and producing active pharmaceutical ingredients (API), intermediates and finished dosage forms. As our core competence, we successfully integrate chemical and pharmaceutical capabilities into a single business model.

Siegfried helps about 40 million individuals annually by means of its drug substances and drug products. We are able to produce about 200 of the approximately 1500 registered drug substances used in medicine. Moreover, we produce 20 percent of global demand for caffeine. Consequently, nearly 1 billion individuals come into contact with Siegfried products. We serve a broad global customer base from major international pharmaceutical companies down to small biologic-pharmaceutical organizations. For them we develop and produce product innovations on a large scale to finished products. We integrate our offer seamlessly into customers’ the value chain. The Siegfried name stands for highest quality, efficiency, flexibility and safety.

## Active Pharmaceutical Ingredients (API): the Key to Healing

A drug requires vulnerability in the body in order to influence or trigger the pathological process. Treatment with a drug aims to alleviate or relieve an illness. The prerequisite for this is the suitable API. Siegfried’s chemical expertise comprises process development and production of such APIs and the corresponding intermediates. Our global network comprises production sites in North America, Europe and Asia. Our customers benefit from synergies and flexible solutions directed at concrete needs.

## Medication Delivers the API into the Body

A drug is a pharmaceutical product which, in a certain dosage, serves to recognize, prevent or heal an illness. Since ancient times, certain plants and parts of plants and animal-based substances serve as drugs and, more recently, also synthetic preparations and biological substances. Siegfried offers a wide range of services in the development and production of complex oral and sterile drug products. The sterile filling and biopharmaceutical business segments are especially attractive. Finished dosage forms are produced in Europe and North America.

### \* What is a CDMO?

A CDMO (Contract Development and Manufacturing Organization) is a company that offers both process development (contract development) and manufacturing services. Comprehensive services range from early-stage Research & Development services such as synthesis, scale-up, formulation development, stability studies and method development all the way through to manufacturing services, ranging from preclinical R&D material for clinical trial purposes and commercial production (Phases I–IV).

## Products

### APIs and Intermediates

**Active pharmaceutical ingredients (APIs)** are used in the production of a medication. APIs are the key ingredient of an end product that is ready for administration with a direct effect concerning treatment.

**Intermediates** are created in the course of a multi-stage chemical reaction. They are not final products but the result of the previous step and the initial product for the following reaction step.

Thanks to investments in capacity and modern technologies, our worldwide network for the production of APIs has grown strongly in the past years and has become clearly more efficient.

Sites: Zofingen, Pennsville, Nantong, Minden, Evionnaz, St. Vulbas

### Controlled Substances

**Controlled substances** are chemicals, whose production, ownership and use are strictly regulated by international conventions and national legislation. The aim is to make allowance for scientific or medical applications while at the same time to prevent misuse and illegal trade.

Our portfolio offer essentially consists of opiate derivatives used in strong pain killers, mainly for cancer therapy, and APIs, such as methadone and nicotine, used in addiction therapy. Siegfried is global market leader in these two product categories.

The Pennsville plant specializes in the production of controlled substances, and it has been issued not only a license for production but, in addition, a rare license permitting importation of the necessary initial materials into the United States. The plant produces about 50% of the controlled substances sold by the Siegfried Group. The other half of the products in this business segment is produced in Zofingen and, since 2016, in Minden. Owing to the integration of the site, Siegfried expanded its already strong market position in this field and is a global leader in products such as pseudoephedrine and ephedrine.

Sites: Zofingen, Pennsville, Minden

# Drug Substances Drug Products

## Products

### Solid Oral Dosage Forms

In galenics – the science of the preparation of medicinal products – active pharmaceutical ingredients (APIs) are applied in a suitable dosage and delivered precisely to where they are required in the body. The API is mixed with certain auxiliary materials and then processed to a liquid, solid or semisolid dosage form. In the field of **solid oral dosage forms**, tablets and capsules prevail.

Siegfried offers a specific range of pharmaceutical development and production of solid dosage forms for the global market. Siegfried’s plant in Hal Far (Malta) produces capsules and tablets. The offer ranges from cGMP-compliant scaling-up and production of clinical trial material to mass production and packaging of finished products.

The Zofingen plant operates a modern facility for the development of highly effective finished dosage forms – a market that has grown strongly for a number of years. This allows us to develop both corresponding APIs and finished dosage forms under the same roof. These medications increase not only efficiency but also reduce undesired side effects for patients.

Sites: Zofingen, Hal Far

### Liquid Dosage Forms

**Sterile and aseptic filling** are the main activities of Siegfried in the area of liquid dosage forms. They are among the most demanding processes in galenic production and impose high demands on rooms, air quality, staff, raw materials and surfaces.

Siegfried operates state-of-the-art production facilities in Hameln (Germany) and Irvine (USA), where Siegfried has the capacity to satisfy customer demand for injectables.

Our sites in Hameln and Irvine focus on ampoules, vials and recently also on prefilled syringes. Irvine additionally specializes in the production of sophisticated pharmaceutical products such as ophthalmics and devices for the controlled release of active pharmaceutical ingredients. The plant in Irvine also produces emulsions, ointments and gels. Siegfried constantly expands the technological base of this high-tech site by installing additional production facilities.

In the field of sterile filling, the Hameln facility offers a wide range of additional services along the pharmaceutical value chain: from product development to laboratory services; from preclinical and clinical studies to a comprehensive approval service including monitoring of existing approvals; and the supply of APIs as well as final products and their release.

Sites: Irvine, Hameln

Services

Exclusive Synthesis  
(Single Client)

Siegfried features expertise in the manufacturing of custom active pharmaceutical ingredients (API) and intermediates. Our services in the field of exclusive synthesis comprise:

- **Process and chemical development:** We develop genuinely scalable, cost-effective and robust pharmaceutical manufacturing processes, appropriate to our customers’ products’ market needs.
- **Analytical development:** For effective and robust processes Siegfried applies requisite analytical parameters and controls.
- **Pilot manufacturing and scale up:** Siegfried’s core strength is taking a chemical process from development and scaling it up into a cost-effective and robust manufacturing process.
- **Commercial manufacturing:** We provide reliable and consistent commercial supply combined with good quality product and performance. We do this by providing our customer’s versatile cGMP manufacturing capability and robust manufacturing processes suitable for specific market needs.

Portfolio Offering  
(Multi Client)

We offer a wide portfolio of APIs and Controlled Substances focusing on anesthetics, pain/addiction treatment applications, central nervous and respiratory diseases as well as caffeine for human health and nutrition. The offer essentially consists of opiate derivatives used in strong pain killers, mainly for cancer therapy, and APIs, such as methadone and nicotine, used in addiction therapy. Siegfried is global market leader in these two

product categories. Our leading expertise in the supply of controlled substances and our outstanding quality and regulatory track record make Siegfried the ideal partner for active pharmaceutical ingredient needs.

Sites

-  Zofingen
-  Pennsville
-  Nantong
-  Minden
-  Evionnaz
-  St. Vulbas



Services

Contract Development  
and Manufacturing

Siegfried features broad base knowledge and experience for complex oral and sterile dosage forms for customer specific development, production and packaging. Our services comprise:

- **Pharmaceutical development:** We offer our customers a broad range of pharmaceutical development services, be it in the area of complex oral dosage forms or of standard and complex injectable and ophthalmic formulations.
- **Analytical development:** Our specialists from the drug product analytical development team work closely with their pharmaceutical development counterparts to ensure our customer’s product is fully supported at every phase in the development process.
- **Scale up and clinical trial material production:** Siegfried’s core expertise lies in scaling up a formulation in development into a cost-effective and robust manufacturing process as well as in supporting the customer’s clinical trial material needs.
- **Process and analytical transfer:** From an early development phase, Siegfried plans and designs processes that ensure a successful scale up and transfer to commercial production. Siegfried supports complete process transfer of a product, either to Siegfried’s Malta site or to the client’s own location.


- **Commercial manufacturing and packaging:** Both our Malta and Zofingen plants have a multitude of state-of-the-art technologies and equipment at their disposal to manufacture various complex solid oral dosage forms. At its sites in Hameln and Irvine, Siegfried offers specialized contract aseptic manufacturing for both the pharmaceutical and biotechnology industries, thereby supporting the entire value chain for aseptic services from simple to complex formulation.

Licensing

For our customers wishing to expand their product pipeline, we have selected oral solid and sterile products commercially available. Also, Siegfried assembles complete registration dossiers and offers a Common Technical Document (CTD) for all products.

Sites

-  Zofingen
-  Hal Far
-  Irvine
-  Hameln



Our Products  
Improve the Life of  
many Patients

**Siegfried produces the API for the leading anticoagulant.**

Strokes are reaching epidemic proportions:

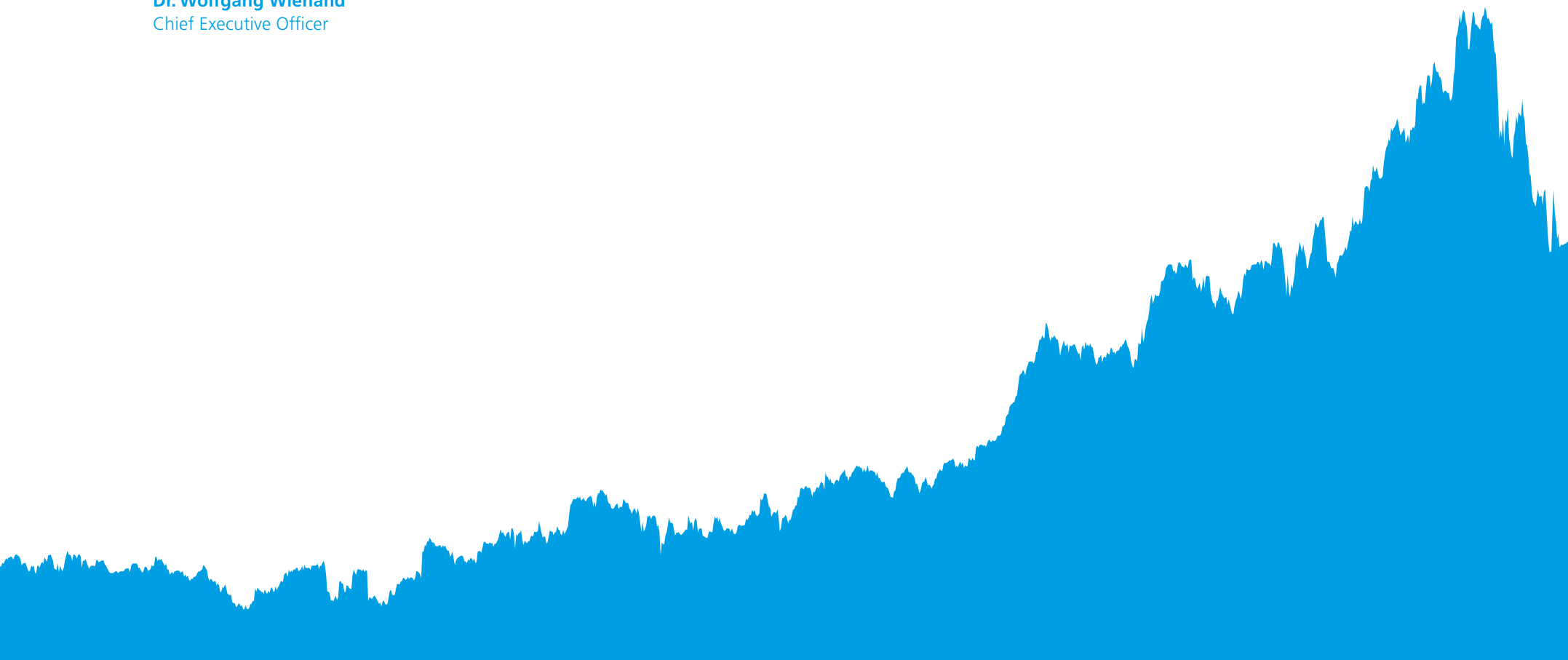
- 1 out of 6 individuals worldwide will suffer from a stroke once in their lifetime.
- Every year, 15 million individuals suffer a stroke, and 5.8 million a year die from it.
- Up to 15% of the patients who suffered a stroke suffer another stroke within the period of one year.

Millions of patients depend on our reliable supply chain to significantly reduce the risk of a relapse.



“We expect further sales growth in 2019.”

Dr. Wolfgang Wienand  
Chief Executive Officer



Siegfried share price development  
31 December 2013 – 31 December 2018

Share Price 2013	Share Price 2018	Increase
161.6 CHF	336.0 CHF	107.9 %
Siegfried share as of 31 December 2013	Siegfried share as of 31 December 2018	Change Period 2013 – 2018



# Maintain Position among the Global Leaders

In 2018, Siegfried again performed very well. In its first two years, the “Evolve” strategy more than successfully passed its baptism by fire. These are outstanding requirements to achieve our ambitious goal, namely to grow faster than the market and assert ourselves as the leading CDMO (Custom Development and Manufacturing Organization) worldwide.

Wolfgang Wienand, Siegfried’s CEO, clearly formulates his company’s vision: “Siegfried is growing to become the first address for pharmaceutical companies of all sizes and to advance into the top league of global CDMOs. This high set goal will make great demands on us. Thanks to the best team and our outstanding network we will succeed.” The chances are good that Siegfried can realize its ambition. Siegfried is positioned in an attractive segment as both, the pharma and the outsourcing markets, are growing, the latter stronger than the former (for more information, see chapter “Market” on page 16). Moreover, the CDMO market is heavily fragmented with many sometimes small suppliers, the five largest represent a share of below 15 percent. This is the segment in which Siegfried aims to play an active role. It implies that we continue to grow at an above-average rate and on our own steam, both in terms of sales and earnings. This is significant as size is a decisive factor. Size not only drives profitability but provides capital strength required for acquisitions and creates production capacity for the necessary operational flexibility. The “Evolve” strategy will secure these capabilities across the long term.

**“Expect more”:**  
**Customer Focus at the Core**  
At Siegfried, customers are at the center of its focus. We aim to become the leading customer-centered organization. Various quali-

ties provide the basis for our foundation: We relentlessly search for the best solutions and strive for scientific and technological excellence. Our facilities produce efficiently and at the highest level. We seamlessly integrate our solutions into our customers’ value chain and demonstrate high delivery reliability. We are uncompromising in terms of product quality and reliability. The people at Siegfried play a central role in fulfilling all of these qualities. That is why we have invested and continue to do so in the capabilities of our teams and in management culture (for more information, see chapter “Organization” on page 22).

**Focus on Clearly Defined Fields of Activity**  
How does Siegfried intend to implement the “Evolve” strategy in the coming years while continuing to grow sustainably profitable? Our focus is on expanding our technology portfolio, improve the integration of all of our services and capabilities into our customer offer and grow by means of acquisitions.

The “Evolve” strategy represents a chessboard of options which we can play depending on opportunities and value creation. While Siegfried can exert influence on certain options (organic growth, technological basis), others are not under our control. The large number of potential growth and M&A routes that Siegfried can follow independently of each other increases the likelihood of closing a transaction that will generate enduring value.

**Acquisitions in a Strongly Fragmented Market**  
Targeted acquisitions will represent an essential share of the Siegfried Group’s growth. In this way, the Siegfried Group can rapidly gain market share, strengthen the global network thanks to the resulting synergies, and further strengthen its position among the leading integrated CDMOs.

The Siegfried Group continually analyzes the M&A market in its industry as well as all relevant transactions. Siegfried carried out no M&A transactions in 2018 since we as a disciplined purchaser will consider an acquisition only if asset quality and transaction value of the company to be acquired commensurate and create long-term corporate value. None of the potential acquisitions in the M&A market fulfilled Siegfried’s internal criteria. In the recent past, many transactions were made at very high valuations, even clearly above the valuation level on the equity capital markets which themselves quoted record levels across long stretches in 2018.

The significance of biopharmaceuticals is growing. In the coming years, this market will grow fast for more information, see chapter “Market” on page 16). Siegfried has consistently invested in this market segment for several years, for instance, in the finished dosage forms of this substance class at our site in Hameln. By means of selective investments, Siegfried will continue to access certain elements of the biologics market. Where the conditions are right, a corresponding acquisition is conceivable.

We are striving for growth also in the field of finished dosage forms, both in solid oral dosage forms (tablets, capsules) and in sterile filling of liquid drug substances. By means of external growth, mainly in the USA and Europe, Siegfried aims to obtain access to competition-related capacity and technologies to consolidate critical size in this field. Hand in hand with this expansion, we aim to strengthen our capabilities in development.

Overall, Siegfried has at its disposal numerous potential M&A routes to follow which do not mutually exclude each other. On the contrary, they can be implemented in line with the best of value-added logics and availability of assets. This circumstance increases the likelihood for Siegfried to implement a transaction that will generate sustained value.

**Optimized Offer and Enlarged Technology Portfolio**

Siegfried aims to contribute toward growth in the coming years by means of various internal measures and strong partnerships. In drug substance production, the Nantong plant will increase utilization, thus contributing toward profitability of the company as a whole. Furthermore, we shall systematically expand our technology portfolio in order to strengthen our position as a strategic partner of our customers. In terms of handling highly effective drug substances, safety for employees and customers is paramount. We invest in technologies like micronization (miniaturization of drug-substance particles) and the production of highly effective drug substances and final dosage forms. In the field of aseptic filling we implement technologies used in filling biopharmaceuticals. In Zofingen, we have created 40 additional laboratory workplaces and significantly increased capacity.

The modern logistics building was completed in the year under review. It is located in close vicinity to the production facilities which simplifies processes. In Hameln, Siegfried has invested in new facilities for aseptic filling of biologically produced substances. In Irvine, we expanded production area and installed additional plant to increase production capacity.

The Global CDMO Market



The CDMO competitive landscape is heavily fragmented: the top 5 players share less than 15 percent of the market.

The “Evolve” Strategy at a Glance: Fields of Action

Acquisition Drug Substance	— Continue acquisitive growth in small molecule Drug Substance — Depending on opportunity, acquire small scale biologics manufacturing assets
Acquisition Drug Product	— Acquisitive growth in oral solid dosage form and sterile/aseptic filling capacities in Europe and US
Organic expansion biologics (Drug Product)	— Organic expansion in adjacent areas: aseptic fill & finish as well as formulation development for biologics
Investments in technology base	— Grow our technology base in small molecule manufacturing (e.g., micronization, high potent API)

# Interview

## Dr. Wolfgang Wienand Chief Executive Officer



We have to be top class in our daily business while, at the same time, we aim to keep pace with the ongoing consolidation process in the market. A company actively shaping a consolidation process must be fit. We are fit.



Interview

Dr. Wolfgang Wienand  
Chief Executive Officer

Please also find this interview with our CEO Dr. Wolfgang Wienand at [report.siegfried.ch](https://report.siegfried.ch)

**Siegfried operates in a market that is very fragmented. The ten largest companies cover less than 20 percent of the market. Is that a blessing or a curse for Siegfried?**

It is true that the CDMO (Custom Development and Manufacturing Organization) market remains strongly fragmented although numerous acquisitions and mergers have been carried out in the past ten years. This situation holds several challenges for Siegfried. We have to be top class in our daily business while, at the same time, we aim to keep pace with the ongoing consolidation process in the market. A company actively participating in a consolidation process must be fit. We are fit.

**How would you characterize this fitness?**

We can fall back on our own experience. Any company wishing to acquire and integrate has to be well positioned in its daily business and be in a position to free up re-

sources. In this regard, we succeeded extremely well with the integration of the BASF production sites completed more than a year ago. Moreover, a company aiming to grow by means of acquisition has to be financially robust in order to avoid embarking on any adventures in relation to the financing. In this regard, Siegfried is also fit.

**Do changes on the customer side, in other words, the international pharmaceutical companies, influence developments in the CDMO industry?**

Certainly. Although the pharmaceutical industry has completed its consolidation process, we continue to see very expensive acquisitions. Therapies and drugs are becoming increasingly complex. In this situation, pharmaceutical companies increasingly focus on research, clinical development and marketing. Their own production activity is losing significance and is no longer regarded as strategic. That is where we as service providers and problem solvers come into play by taking over these tasks for the pharmaceutical companies.

**Pharmaceutical companies pass on to us margin they could have retained had they continued their own production activity. Why then the trend toward outsourcing?**

It is extremely important that our customers obtain their product on time and in the desired quality. That, however, is only a part of the strategic cooperation. We lower complexity for our customers' supply chain because they can leave all aspects concerning production to us, namely procurement, development, synthesis/formulation, compliance and logistics. We help them avoid

costly investments and lower their financial exposure and risk. This awareness is catching on increasingly. Today, outsourcing is no longer an option in the event of an emergency, but a generally accepted and recognized business model.<sup>1</sup>

**The "Evolve" strategy, however, embraces aspects not directly connected to these requirements.**

That may be the case at first glance. Ultimately, as a part of a strategic partnership, it is our aim to satisfy as many of our customers' needs as possible. A broad offer from a single source simplifies outsourcing for our customers and, therefore, saves resources. That is why we aim to broaden our technological base, and that is why we aim to grow. In addition to sufficient equipment availability, broad-based cooperation with large strategic customers requires a strong and well-established organization in order to be reliable and remain flexible. We aim to be a strategic supplier and partner of our pharmaceutical customers that meets high demands concerning technology, quality, development and logistics. This is the reason why we will expand our technology portfolio.

**We've talked a lot about hardware. In the first three months of your new function you visited all of the sites. How fit are Siegfried's employees?**

As a former high-performance athlete, I would like to answer that as follows: Siegfried and Siegfried employees play in the first league. Nevertheless, there is room for improvement, processes that have not yet been fully established and market opportunities not fully seized. We have to work

hard to reach the top of the first league, and then we have to work hard to remain there. This is a process that never finishes. By setting your sights high, you will identify a lot that calls for improvement and requires a high need for training. Always.

**What are Siegfried's goals for the 2019 financial year?**

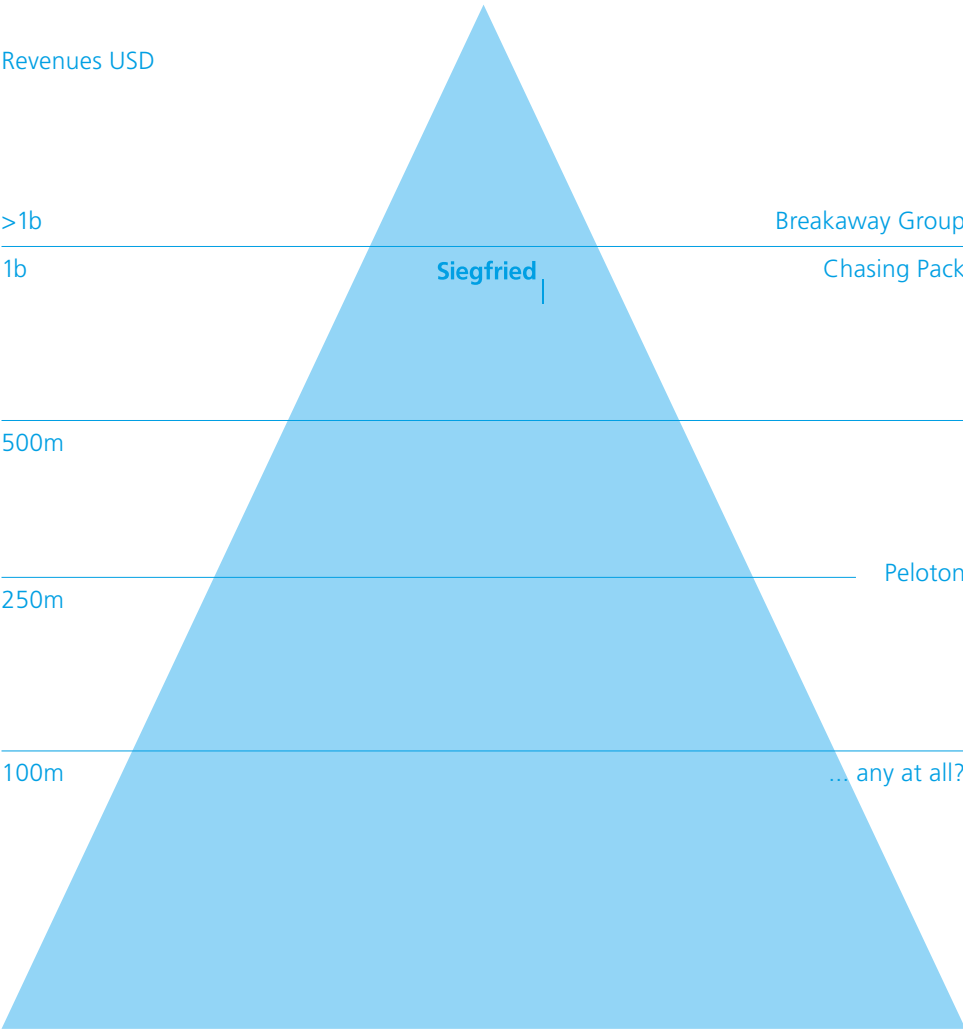
Strategically, we will continue on the tried and tested "Evolve" path and take the next growth steps as soon as possible without exposing the company to any adventures. Internally, we are working on our competitiveness and customer orientation. We have developed concrete plans of action for each of our sites in order to optimize our network as a whole. I am convinced that at the end of this year the Siegfried Group will again have made considerable progress on its path to the top.

**Do you have any personal goals?**

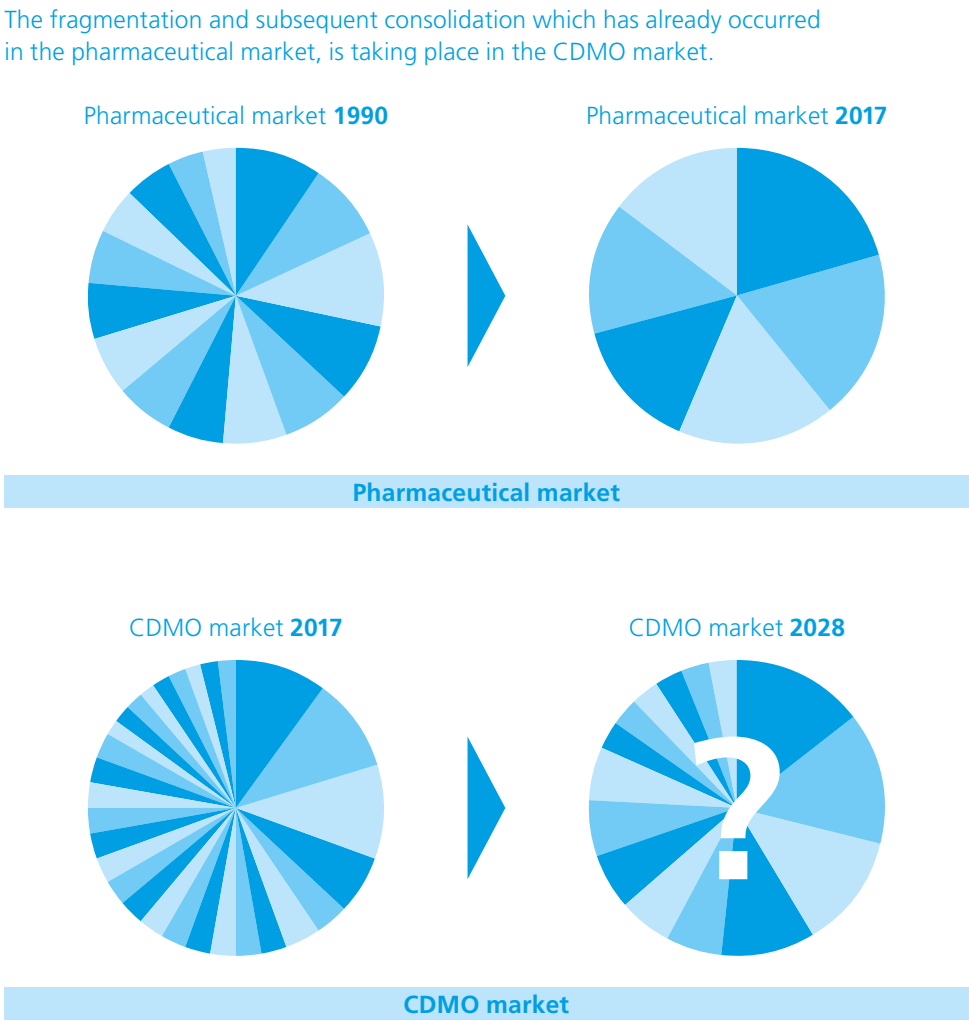
For this year, I have set two personal goals for myself, apart from the goals for the company we talked about earlier: first, promoting team spirit and demonstrating it by example. We want to become the strongest team in our industry. And second, to make direct contact with as many employees as possible so they can get to know me and I understand their needs and concerns. I have already made very good progress concerning both goals, which I am very glad about.

<sup>1</sup> For more information, see the illustration "Siegfried as a reinsurer" on page 18.

Siegfried's Position in the Competitive Landscape



Fragmentation of Pharmaceutical and CDMO Market



# Promising Market Perspectives

Prognoses for the pharmaceutical and the CDMO<sup>1</sup> markets are very promising. The latter is strongly fragmented and provides potential for acquisitions. These are positive perspectives for Siegfried to continue on its path of growth.

The pharmaceutical industry is undergoing change. Shifting customer needs and fundamental developments in the industry will provide additional positive impulses to the CDMO market in the coming years. Leading pharmaceutical companies increasingly focus on research and clinical development and marketing. As a result, they outsource own production capacity. By means of strategic outsourcing they reduce investments in production facilities and can improve the return on capital employed. Figures substantiate this assessment: While in the last ten years the revenues of these companies grew worldwide by almost 30 percent, they expanded production facilities in the form of tied capital by only nearly 10 percent. There are good reasons for this: High capacity, risks in clinical development and the pressure to develop high quality at low production costs motivate the pharmaceutical industry to outsource. The latter is all the more the case for the phase following expiry of patent protection: experience shows that sales prices for generic drugs are declining by up to 95 percent. If margins are to remain only remotely unchanged, cost reductions are unavoidable. In this context, forward-looking life cycle management is gaining strategic importance for which companies such as Siegfried with their integrated business model are predestined as strategic partners.

A further market trend can be recognized in new, innovative drugs. They frequently originate from small or medium-sized companies and startups without process development or own production capacity, a development which is also in favor of the CDMO industry. Moreover, increasing complexity of modern medicinal therapies requires companies or strategic partners such as Siegfried. Thanks to their extensive offer in the area of drug substances and finished products, they are in a position to bring to market products at the highest level of quality and at low costs in a short period of time.

**Outstanding Growth Prospects**

OECD statistics that include the USA as reference market expect annual growth (CAGR) for the healthcare industry of approximately 5 percent. The same is true for the pharmaceutical and medical technology market, which is of relevance to Siegfried. The CDMO market will grow even more significantly until 2022, namely at 6.2 percent per annum (CAGR). All CDMO segments and all regions will enjoy growth, finished dosage forms more so than drug substances. We expect highest growth in sterile and aseptic dosage forms, and here we continuously invest in new capacity and skills. Besides strategic outsourcing, innovative drug substances and drugs represent a significant driver of above-average growth in the CDMO sector. As a result, the CDMO industry will have to expand its technological basis in order to fulfil the increasing requirements related to development, production and process quality (for more on this topic, see the “Strategy” chapter on page 13).

**Favorable Constellation for Siegfried**

All in all, it is a justified conclusion that the market environment creates favorable conditions for Siegfried to achieve its ambitious growth targets. The “Evolve” strategy (for more on this topic, see the “Strategy” chapter on page 13) is the answer to the trends described above. Increasing complexity of the business and considerable development risks motivate large pharmaceutical companies and smaller companies to cooperate with strategic partners for fully integrated solutions – starting with development at an early stage through to industrial production.

<sup>1</sup> Custom Development & Manufacturing Organization  
<sup>2</sup> OECD, Global Data 2016, [www.stats.oecd.org](http://www.stats.oecd.org)  
<sup>3</sup> EvaluatePharma World Preview 2018; Visiongain Market Report – Pharmaceutical Contract Manufacturing Market 2017

Growth global prescription  
pharma market

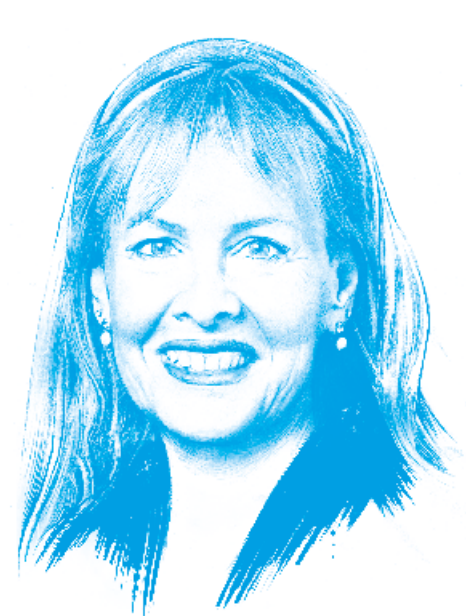
4.5%

Growth global pharma  
CDMO market

6.2%

## 3 Questions to

Marianne Späne  
Head Business Development,  
Marketing & Sales



**We recognize a growing readiness among pharmaceutical companies to outsource services for the development and production of drug substances and finished dosage form drugs. How is this reflected in the field of Business Development?**

On the one hand, we recognize a growing interest among our larger pharmaceutical customers to outsource their activities and reduce the number of suppliers by means of strategic partnerships. Consequently, a customer expects a Custom Development and Manufacturing Organization (CDMO), such as Siegfried, to provide a broad portfolio of technical capabilities at various sites and to reflect high quality awareness. With its overarching quality system, Siegfried is capable of covering the entire value chain from intermediates through to finished dosage forms.

On the other hand, we recognize a growing trend in smaller to medium-sized companies – often referred to as “emerging pharma” – looking for a supplier with production expertise. By means of business excellence programs we have not only developed life cycle management for products at the end of their patent expiry cycle, but also an interesting platform for companies producing generic products. We therefore cover a broad customer portfolio. In this trend we recognize

large potential for Siegfried. As we operate in a regulated environment, the trend often cannot be implemented at the desired speed.

Increasingly, Business Development and Account Management serve a demanding clientele. Only companies that are well positioned as a team will be able to take full advantage of opportunities.

**Siegfried’s integrated offer is a frequent topic of discussion. Is it being accepted by customers, and do they understand it?**

The integrated model offers advantages at various levels, especially with regard to the growing trend toward outsourcing. By means of its integrated offer, Siegfried provides an attractive platform for strategic partnerships.

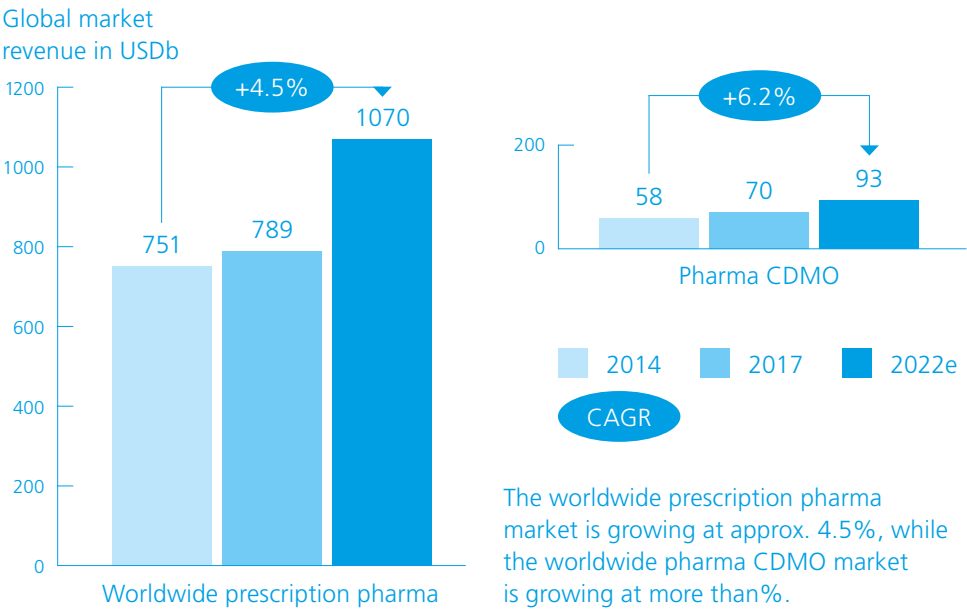
In the case of smaller to medium-sized customers, we are capable of providing the entire supply chain while they can focus on their research and marketing capabilities.

Thanks to the integrated offer, large customers entrust us with both drug substances and finished dosage forms which, in turn, creates a strategic CDMO partnership. Customer can take full advantage of our broad-based capabilities.

**What are the central elements of your customer dialogue?**

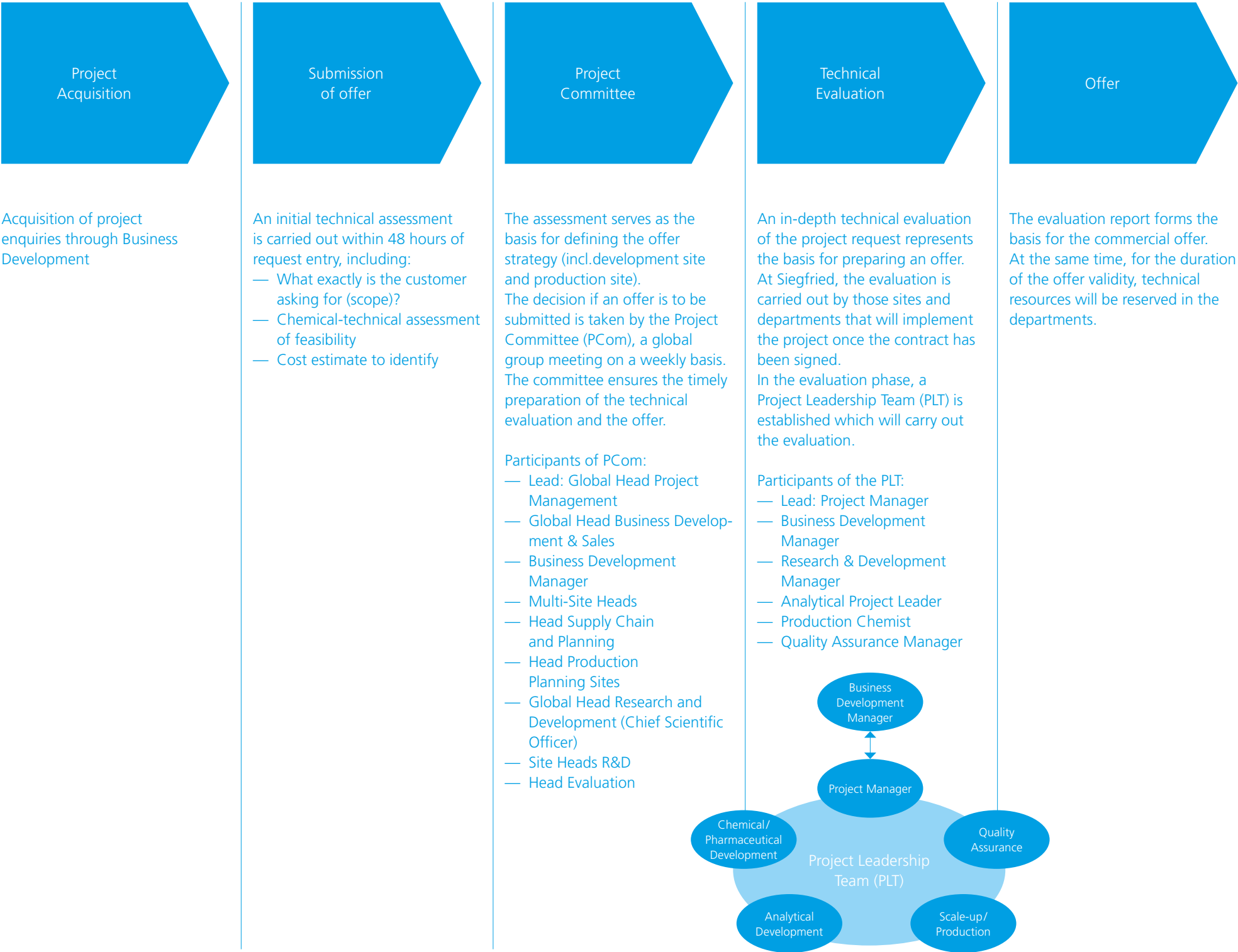
It is always important to know the needs of customers and to address them. We follow a dual approach in that we initiate new business and also consider individual support of existing customers to be key to success. We work in teams in order to effectively contribute our capabilities. We are our customers’ permanent contact and secure communication at various levels. Technical and business oriented teams on both sides work hand in hand and are often referred to as twins. We use balanced score cards and regularly exchange agreed upon indicators, define measures and monitor implementation. We are used to working in matrix organizations, in other words, overarching departments and product segments. A defined communications strategy and interdisciplinary cooperation are a must in order to successfully manage a strategic partnership. The bar is set high, and we shall do everything in our power to meet these expectations in accordance with our motto, “expect more”.

Global prescription pharma market  
vs. Pharma CDMO Market



The worldwide prescription pharma market is growing at approx. 4.5%, while the worldwide pharma CDMO market is growing at more than 6%.

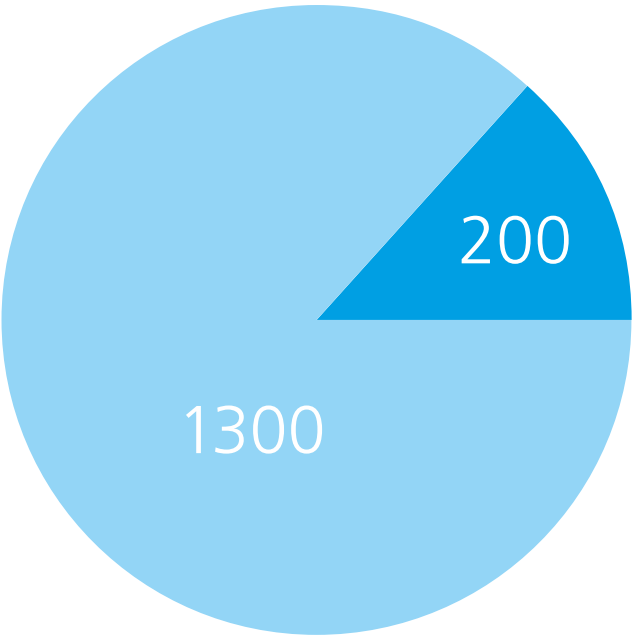
Offer Process



Siegfried API portfolio

40 mio.  
patients per year

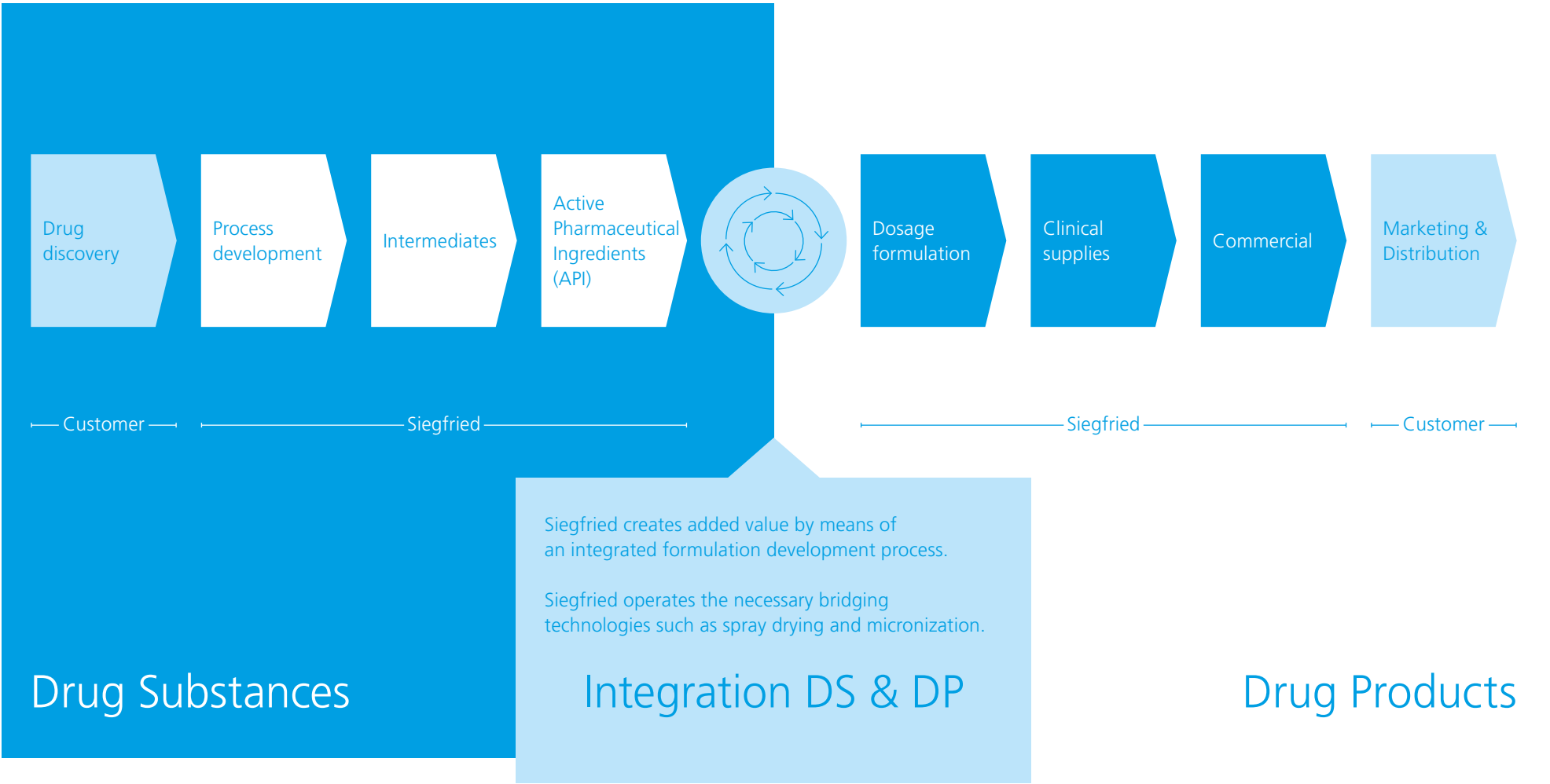
By means of its current portfolio, Siegfried’s customers serve about 40 million patients a year.



Siegfried produces about 200 of the approx. 1500 FDA approved APIs worldwide, and is therefore an important source to secure the therapy of numerous patients.



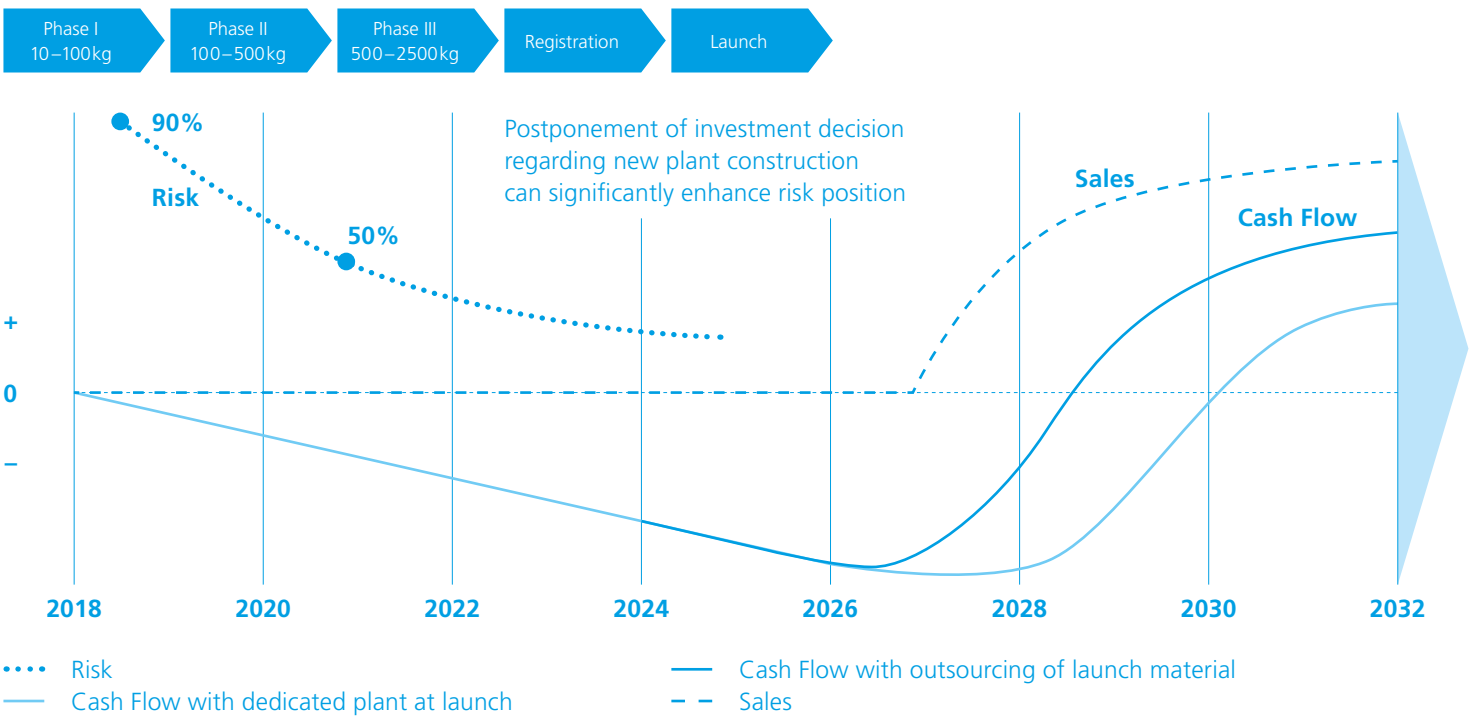
Drug Development from Discovery to Marketing



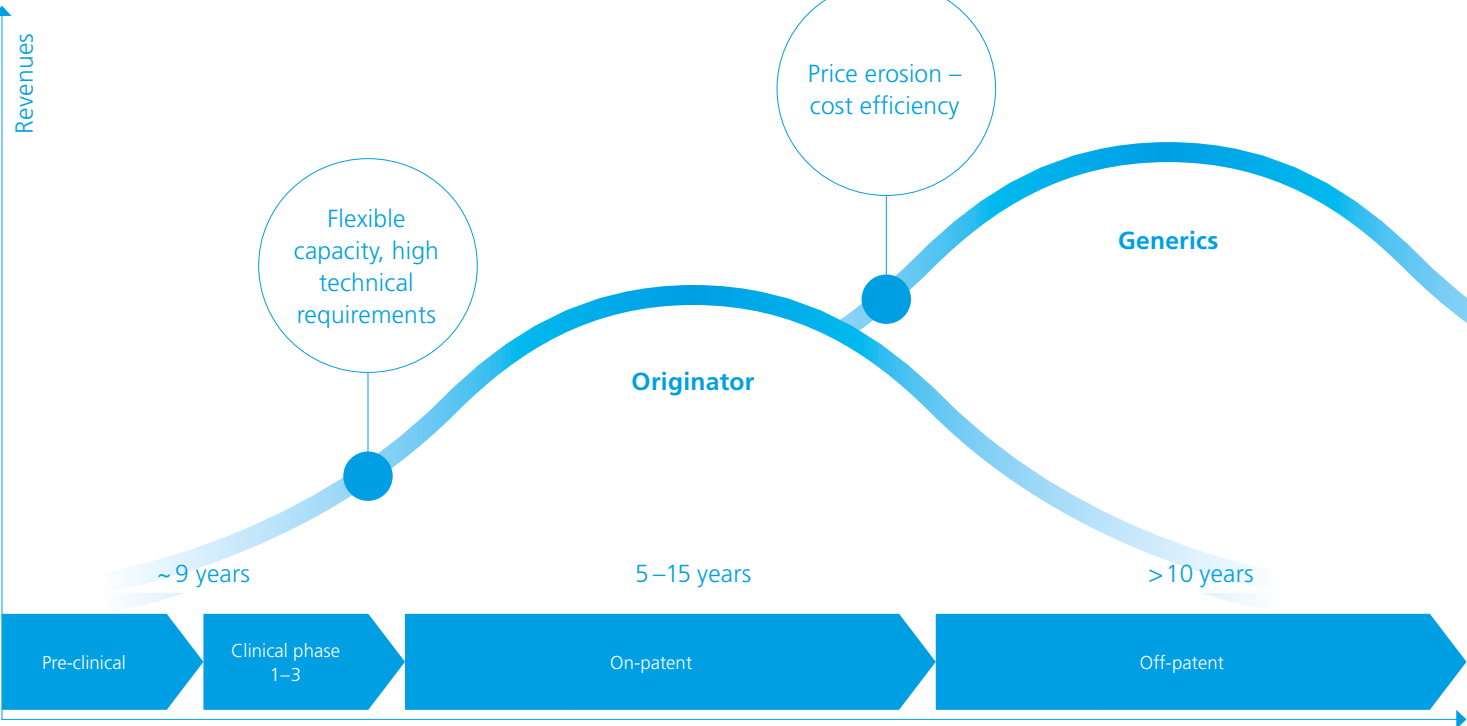
Siegfried as a Reinsurer

Strategic outsourcing improves the capital efficiency of pharmaceutical companies. Increasingly, therefore, production and scale-up are no longer considered core competencies of pharmaceutical companies.

Like a reinsurance company, Siegfried takes on development and production risks for its customers. This allows customers to initially forego investment in early phases or entirely in own costly production plant. Moreover, Siegfried can cushion production bottlenecks and help customers secure their delivery capacity at all times. This is attractive to our customers in the pharmaceutical industry as the development of drugs is growing increasingly complex and the risk for drug companies rising.



The Life Cycle of an API during the Patent-Protected Phase and Thereafter



Siegfried operates not only in the innovative pipeline-business for customers in the pharmaceutical industry but also accompanies products throughout their entire life cycle right up to the generic phase, which is the most cost sensitive. We are also capable of acquiring products at the stage of their entrance into the generic phase.

In our network with its differentiated positioning of individual sites, Nantong takes on the role of cost leader in the production of non-patent-protected products. In Nantong we can produce at competitive prices even following expiry of patent protection.

Splitting the pipeline business into patent-protected drug substances and the production of generic drug substances helps reduce the volatility of our business.

# Technology and Process Innovation as Value Drivers

One of Siegfried's core competencies as a worldwide leading supplier refers to technological innovation and mastering complex production processes. Targeted expansion of these capabilities represents a significant element of the "Evolve" strategy.

The Siegfried Group strives to meet its customers' varied and complex demands by taking a two-fold approach. On the one hand, Siegfried integrates complementary chemical and pharmaceutical capabilities in a single business model covering the entire range of products from drug substances to finished dosage forms while, on the other, we operate a diversified worldwide network of development and production sites in Europe, North America and Asia. This allows Siegfried to offer individual solutions while maintaining high flexibility, delivery reliability and efficiency during patent protection and thereafter. Fitting together these elements to create value requires constant investment in developing our technology portfolio and optimizing operational procedures. Targeted improvements concerning technology and process innovation were defined as central value drivers in the strategic phase of the "Transform" strategy (2010–2016) and even more accentuated since launching the "Evolve" strategy in 2017.

## Early Quality

Chemical development deals with chemical synthesis processes and the subsequent physical processes, such as crystallizing, drying and milling. Analytical development serves as a control function of chemistry by examining products concerning cleanliness or contamination and develops connected analytical procedures. While functionally both segments operate independently, they are harmonized in the process chain. Consequently, we invest in this area at an early stage, which is decisive for the subsequent process steps.

## Massive Expansion of Drug Substance Development

In the year under review, Siegfried strengthened both chemical and analytical development. Both areas employ extremely well

educated employees, about half of them university graduates. In the past 5 years, the number of employees in chemical and analytical development grew acquisition-related by about a quarter. In 2018, as laboratory capacity reached its limits, 40 additional laboratory workplaces were established in Zofingen, allowing us to process and coordinate more development projects in the future. Expansion of activity demanded a new organization and focus in the chemical development group. Consequently, chemical process development, which serves as an important interface in the technology transfer between customer and Siegfried and among Siegfried sites, became considerably more effective. Zofingen, together with Evionnaz and Nantong, represents the group-wide center of competence.

## Numerous Technological Innovations

In Zofingen, additional state-of-the-art workplaces were established for synthesis and analysis as well as a special laboratory serving safe and dust-free handling of solids and highly potent drug substances. We now can mill or micronize highly potent drug substances at laboratory scale in a made-to-measure laminar-flow chapel without endangering employees or the environment.

We made further progress in laboratory automation, process development, process safety, and quality by design. Modern software and devices help us to perform experiments in such a way that we can use the collected data to simulate chemical and physical processes at production scale and facility specifically. This reduces scale-up risks and increases both product quality and process safety. We presented this approach by means of successful examples at several conferences, among them the annual conference of the Swiss Chemical Society.

In the year under review, we installed an additional micronization mill. In close coor-

dination with a customer, we integrated a loop mill into the existing pilot plant as a pilot. The mill was installed, tested, qualified and taken into operation in record time. The procedure based on the mill was successfully developed and validated. Furthermore, for a customer we micronized initial commercial volumes of a highly potent drug substance.

## Siegfried Continues to Grow Together

The "Evolve" strategy encourages the company's continued growing together worldwide – an important requirement to successfully put into practice the business model. We successfully implemented several projects across all sites in 2018. In Zofingen, a technology group for demanding cross-site tasks was formed and initial webinars were carried out on issues concerning process simulation, process safety and process analysis, thereby increasing the level of knowledge at all sites of the Siegfried Group. Experts on process safety from Minden, Evionnaz and Zofingen met at group headquarters for continued training and coordination activities.

## 3 Questions to

**Dr. René Imwinkelried**  
Head Technical Operations



**The Siegfried Group emphasizes its attractive network and invests huge sums in cross-site cooperation and synergies. How do you evaluate the progress made in the year under review?**

We pressed ahead with process and technology transfer among the individual sites. As a result, we can support our customers in their need for dual sourcing by means of our network while offering them flexible development and production capacity. This gives them an assurance in case their products establish themselves in the market above expectations. Cooperation grows steadily by means of targeted investments at our various sites. Our site in Nantong is developing into an increasingly significant partner. Moreover, we continuously strengthened the development hubs in Zofingen and Evionnaz. In the field of sterile filling, our next step is filling of biologically produced drug substances.

**Which will be the next milestones in Siegfried's operational excellence, and how do you measure its success?**

As a strategic partner of the worldwide pharmaceutical industry, it is essential that we are among the best in terms of operational excellence. Therefore, for me personally, this issue is an essential cornerstone of success in my organizational unit. Based on our network, we are in a position to exploit competitive advantages. We deliberately develop the capabilities of the individual sites differently, in order to fulfil customer needs and reach the best result for the entire network. We implement our operational excellence programs in this sense.

**What does being a learning organization imply for Siegfried?**

A learning organization must be capable and willing to learn in order to regularly adjust knowledge base and scope for action to new challenges. It must be able to recognize change fast and rapidly convey and implement the corresponding new requirements to our organization. Ideally, a learning organization is a system which is always in motion. New impulses are considered stimulation and used for development processes. This requires individuals who are

> Text continues on page 20

> Continuation of the interview  
«3 questions to Dr. René Imwinkelried»

open to new developments, are hungry and allow and support innovative solutions. Mechanisms that support such learning processes enjoy cooperation and conflict solving abilities, trust and team spirit. We work on this every day, with good results.

## Business Excellence at Siegfried

Business Excellence has a high priority at Siegfried. It represents continuous development of the quality of management processes, and it supports individual sites in reaching their targets. While, at the beginning, the focus was put on process optimization, our ambitions have developed gradually. Today, in the Siegfried organization, we are at the level of a learning organization. This implies that all of our colleagues largely take responsibility for their thoughts and acts. As early as 2013, we started with concrete projects referring to process optimization in order to lower operating costs. One year later, initial training courses were started within the parameters of the internationally re-

nowned three-step Lean Six Sigma program. In 2018, we kicked off courses leading toward Black Belt certification and to be completed in 2019. This level focuses on high quality cross-functional and cross-site management skills, and it is authorized to train participants of lower Lean Six Sigma levels. Within the parameters of our Business Excellence program in 2018 and 2019 we aim to focus on waste water issues, recycling and recovering solvents and on the reduction of waste in production. Moreover, in the year under review, we introduced standard processes concerning materials flow among our drug substance production sites.

## Filling of Biologically Produced Active Pharmaceutical Ingredients (API)

The market for filling biologically produced active pharmaceutical ingredients (API), so-called biologics, is attractive and future-oriented with above-average growth and earnings expectations combined with high barriers for entry by new competitors. Siegfried has invested in corresponding facilities at our sites in Hameln and Irvine. Customer interest in this field is lively and requests correspondingly large. In 2018, Siegfried presented its competencies in biologics at trade fairs while elevating the level of employees' expertise by means of internal and external training courses.

**What are Biologics?**  
Biologics are drug substances with a complex molecular structure and a high molecular weight produced by means of biotechnology and genetically engineered organisms. They can consist of proteins, nucleic acid, sugars, or combinations of these substances. Typical examples are medications used in the treatment of inflammatory auto-immune disorders, cancer or insulin for diabetes therapy.

Fill & Finish for Biologics	Hameln Germany	Irvine USA
Development services	●	
Clinical batch manufacturing	●	●
Commercial batch manufacturing	●	●
Vials	●	●
Pre-filled syringes		●
Cartridges		●

## Benefits Connected with Digitalization

**For Siegfried, a technology and innovation-driven company, industrial digitalization presents a range of opportunities to be taken advantage of. Perspectives are made out internally in terms of innovation management, process management and quality management, and externally in the creation of novel business models.**

Digitalization, which is connected with rapid technological development, opens up countless interesting possibilities for future-oriented companies. Siegfried has identified the trends relevant to the CDMO (Custom Development and Manufacturing Organization) industry and launched corresponding group-wide initiatives.

**Strategic Context Provides the Framework**  
"Siegfried addresses the technological developments in the industry and evaluates promising measures. The priorities of the Evolve strategy (for more information see "Strategy" on page 13) represent the parameter of our activities. We thus avoid to get lost in the abundance of possibilities", says René Imwinkelried, Head Technical Operations. The strategy guidelines are clear: all ideas, projects and implementations must impact positively on business development and, therefore, competitiveness. To achieve this, Siegfried sets clear priorities and makes targeted investments in pilot projects and manages them by means of an agile process in accordance with "fail early, fail fast".

**Existing Business to be Optimized Initially**  
Siegfried recognizes two areas of application in the field of digitalization. On the one

hand, we aim to design processes in the existing business model more efficiently and thereby further increase quality, service level and efficiency. On the other hand, digital services provide potential to develop new sources of earnings. Within the parameters of the Evolve strategy, Siegfried focuses mainly on optimizing operational procedures. René Imwinkelried: "With the help of new technologies we continue on our path of taking intelligent and consistent steps toward operational improvement. This approach has proven itself since ten years and produced added value for our customers as well as a substantial rise in earnings". Our focus on internal optimization does not mean that Siegfried's digitalization experts are neglecting options for new fields of business. Possibilities in this field are constantly being evaluated and implemented rapidly, if needed. With regard to two technological trends, Siegfried recognizes particularly attractive prospects for the rapid implementation in efficiency and earnings improvements: In the Internet of Things, Siegfried recognizes a network of intelligent tools concerning early operational inefficiencies. One example is the preventive sensor technology in complex chemical-pharmaceutical development and production processes. The second focus trend, Advanced Analytics, which is based on further developed algorithms, enables Siegfried to obtain significantly more precise information on which to base strategic decisions or concerning future events. Digitalization at Siegfried will continue to gain significance. We shall continue to follow the strict specifications of our strategic priorities to ensure a high level of effectiveness of our projects.



# Focus Micronization

Micronization is fine milling to particles below 20 microns. It is a key bridging technology between drug substance and drug product services. Ultra-fine milling – micronization – can significantly improve bioavailability.

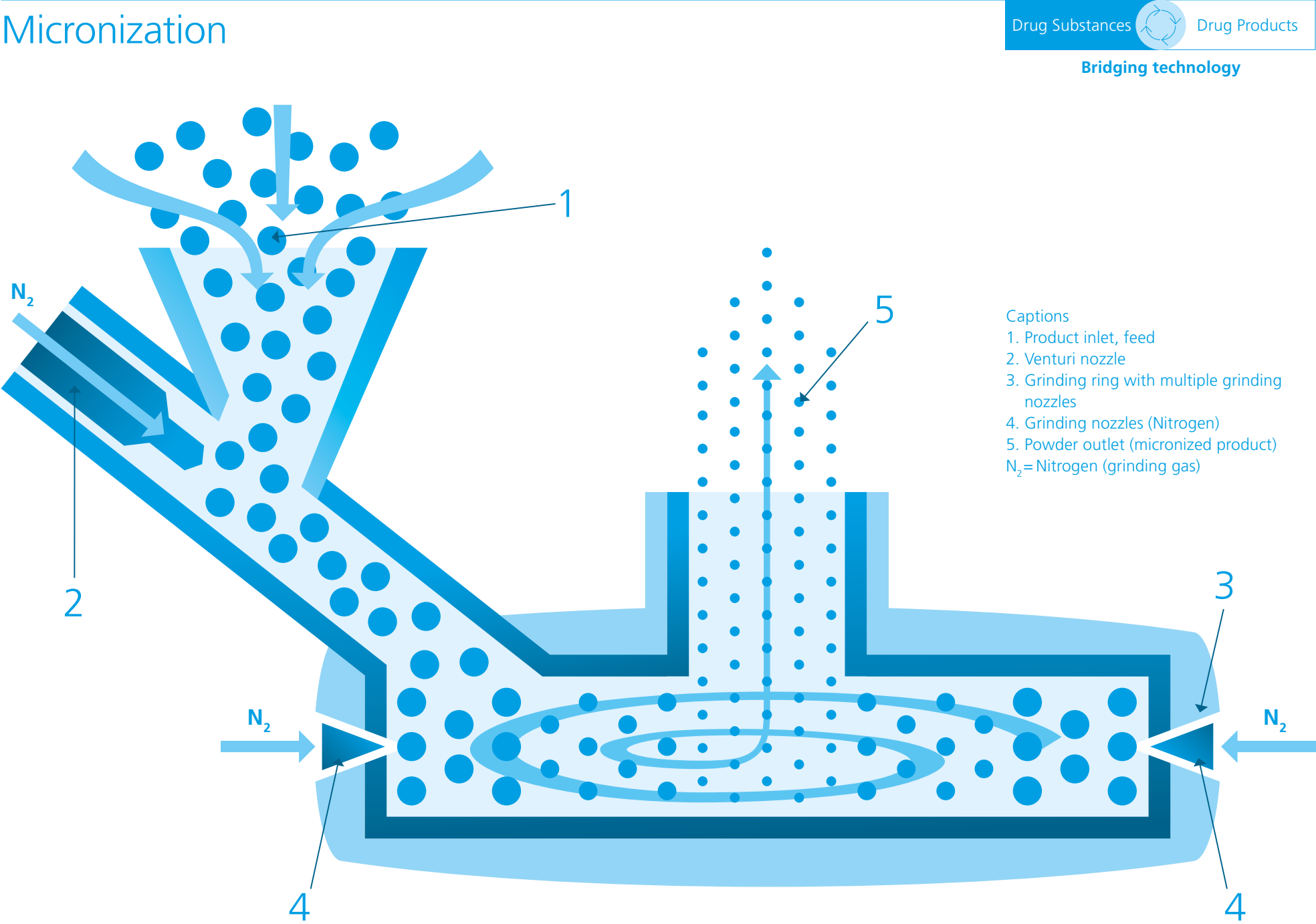
**What is micronization?**  
Micronization is fine milling to particles below 20 microns.  
In classical milling the particles are broken by mechanical impact with rotors or “hammers” but to further mill down the particles a more effective approach is needed. For this particle have to collide with other particles with high velocity, so that they splinter in smallest fragments. So micronization is performed with air jet mills or fluid energy mills. The spiral jet mill or pan cake mill is the working horse for this kind of operations. The material is introduced into the mill through a funnel with a venturi nozzle. The venturi nozzle works like a water jet injector known from car washing or garden – just with air or gas. For example when you have small hole in a tube with water flowing though this hose you can feel that air is sucked in the tube so that you can inject e.g. a powder. Using this effect we introduce the powder in the mill. The mill is built like a pan. The powder is accelerated by tangential oriented nozzles on a circular orbit to a high

velocity in the subsonic speed. At the same time the nozzles disturb the particles, so that the particles collide with each other and splinter into fragments. The finer (lighter particles) will then change to an inner orbit whereas larger particles stay outside like in a chairplane. This is repeated until particles are small enough to be flushed out of the mill.  
**Why are APIs micronized?**  
The main reason to micronize APIs is to formulate the drug product independent for the particle size distribution by reducing its size so that e.g. the form of the crystals does not interfere with the downstream process. For example needle like crystals show the tendency to stick together and to felt so that nests with API may be formed in some tablets whereas other tablets may then nearly no actives.  
But even more important is that smaller particles dissolve faster than larger particles. This dissolution time is important for the performance of the final medicine. In sustained

release tablets (e.g. once a day only) the time to dissolve the tablet is controlled by the formulation and the particle size of the API. By milling the particles to a defined very fine powder the influence of the particles can be predicted easier than in unmilled or coarse material. Some APIs are badly soluble so that they cannot be released within the intended timeframe when the medicine should be effective and can be absorbed by our body. Ultra-fine milling – micronization – improves the solubility so that even low soluble API's become available to be an effective drug for the benefit of the patients.  
**What is the micronization technology for Siegfried?**  
The micronization technology is important for Siegfried's strategy to be a world class supplier for pharmaceuticals and a reliable partner for our customers. We regard micronization technology not only as a key step of our supply chain, but also as a “bridging” technology between drug substance and final drug product services. Conclusively it is

important for us to hold the knowledge and the technical capabilities of this key unit operation. This ensures that we can help our partners in the development of a new drug formulation as well as to ensure that the final product can be manufactured and delivered in the quality and reliability our customers expect from us.  
  
\* 1000 µm = 1 mm  
  
**Michael Levis, Ph. D.**  
Head Process Technologies  
Principal Scientist Particle Technologies  
  
will present the following topic at the Pharma Lecture Theater at the Chemspec Show in Basel on 26 June 2019:  
  
**Particle Properties and Particle Design and from an API supplier's view.**  
The interaction of API CDMO and formulation SMEs to meet customer expectations.

## Micronization



# A Learning Organization

In the coming years, Siegfried aims to advance to the top of the CDMO<sup>1</sup> industry. Market perspectives and the strategic course are promising. For ambitions to become reality, it takes people that make a difference and are willing to shape the company’s culture.

Siegfried’s guiding motto is “expect more”. It stands for a corporate culture that is geared toward top performance and expects its employees to never be satisfied with what they have achieved. Wolfgang Wienand, Siegfried’s CEO since the beginning of 2019, has a very clear idea in this regard: “We aim to crack the really tough nuts, to always give our best and focus on solutions. If we want to reach the top, all of us – employees and management – must be willing to go the extra mile. While we are making good progress, we haven’t reached our goal by far.” As a learning organization we are in a continuous improvement process and master key capabilities: individual self-development, self-criticism, a shared vision, learning in a team and thinking in terms of systems. Some of these skills are clearly recognizable in our corporate culture, the Siegfried Way. Bringing it to fruition will be one of the most important management tasks in the coming years.

**Unity in Diversity**

Arnoud Middel, Global Head Human Resources, considers that “attributes unique to Siegfried worldwide are its entrepreneurial spirit and the willingness to choose unconventional, innovative routes”. This drive and the connected courage have characterized Siegfried’s 140 years of history until this day. In recent years, thanks to this drive, Siegfried has developed into a global organization with different cultures under the same roof. They need connecting values and attitudes because people can deliver top performance only if they meet on the basis of a shared set of values. Siegfried considers this to be an important prerequisite for the creation of performance-

oriented global teams. At the same time we are aware that we need to nourish a cultural microcosm. We aim to integrate this diversity into our system with an effect that will add value. It conceals a creative power that characterizes all excellent teams. Arnoud Middel is confident concerning the future path: “It takes a lot of sure instinct and mutual respect in order for this to succeed, especially on the side of executive leadership. Naturally, the balancing act between unity and diversity, the actual core of the “Siegfried Way”, does not always succeed, but it remains a constant issue in management at all levels, and we continue to learn.”

**Constant Change as an Opportunity**

The task of Siegfried’s human resources strategy is to effectively provide effective support for the growth strategy and thus the ongoing transformation of the company. We aim to achieve this by means of excellently trained employees and managers, attractive workplaces and an organization that is nimble and oriented toward change. By means of numerous projects in the field of business excellence, we invest in above-

average team performance and, consequently, in the highest level of innovation and quality. In 2018, we invested 1.4 million CHF in training and the continued education of our more than 2300 employees worldwide. To implement our goal of advancing to the top of the CDMO industry, it is our ambition to harmonize Siegfried’s corporate and management culture and our capability management with the high demands made by our customers and technological progress.

**Targeted Selection and Development of Employees**

The company’s distinct growth and its rapid change offer a wide range of opportunities for our employees to take on new tasks and thereby pursue personal development. We consider this to be an important element of the learning process. “Our experience shows that learning on the job in combination with targeted continued education advances our teams most efficiently”, says Arnoud Middel. Structured development meetings and continuous feedback within the parameters of management activity represent a significant complementary element.

We aim to communicate these views and measures in talent groups which we define in order to strengthen our “Employer Branding”. This helps us to attract suitable employees, both professionally and culturally, and we thereby lay the foundations for effective later development. This proceeds in accordance with group-wide standards on the basis of which we train and instruct local human resources managers.

**In Constant Dialogue**

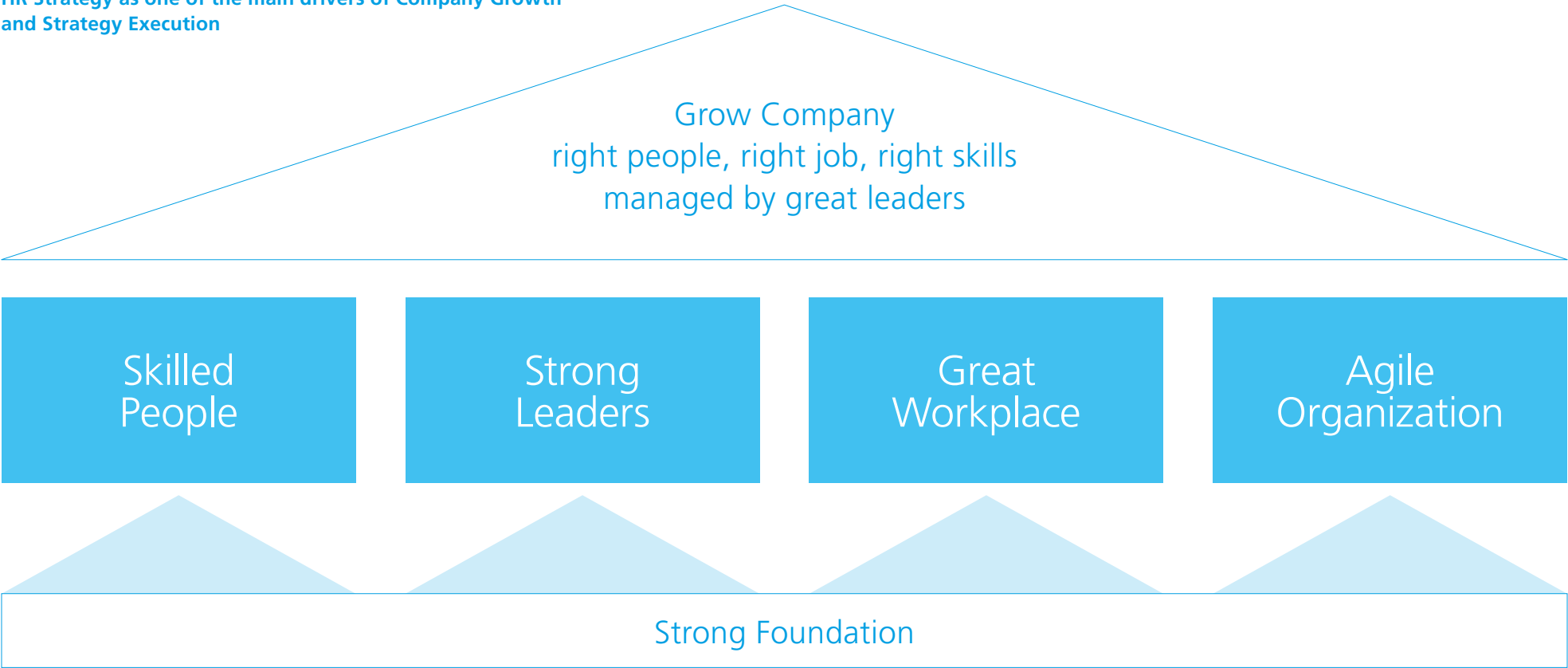
At Siegfried, traditional hierarchical leadership models are increasingly losing relevance. They are replaced by team learning and thinking in terms of systems, in the way that learning organizations do. Our integrated business model calls for interdisciplinary teams that find and implement solutions jointly and on an equal footing. Increasingly, our core competencies are considered to be: cooperation, co-creation and the ability to respond and react to each other, to illuminate challenges from different perspectives and to conduct a solution-oriented dialogue. Arnoud Middel believes: “All of that is connected to the self-development which we expect our employees to undergo. Yet, it also challenges management employees whose role is changing rapidly and whom we prepare specifically for the new challenges.” In 2019, Siegfried will fundamentally redesign its management training. Agility and innovation are constant companions, not only in our core business, but also in the field of Human Resources.

“Constant transformation and change have been characteristic drivers in Siegfried’s history and are a part of our culture.”

Arnoud Middel, Global Head Human Resources

<sup>1</sup> Custom Development and Manufacturing Organization

HR Strategy as one of the main drivers of Company Growth and Strategy Execution



3 Questions to

Arnoud Middel  
Head Human Resources



How can corporate culture be lived day-to-day in a company that is in constant transformation?

Constant transformation and change have been characteristic drivers in Siegfried's history and are a part of our culture. In recent years, very structured and rigorously conducted integration and harmonization processes have dominated and pushed this element of culture somewhat into the background. However, feedback received from employees at all levels tells us that it is alive and very strongly embedded. They would like to be more actively involved, heard more clearly, and allowed to present their thoughts on matters. Following the intensive phase of acquisitions and integration we will pay more attention to this aspect.

How will internal stakeholder dialogue be shaped in the future?

I am convinced that classical hierarchical relationships and organizational structures will continue to lose relevance. Instead, we will increasingly work in mixed, cross-functional teams that find and implement jointly developed solutions at eye level. Cooperation and co-creation as well as the capacity to listen and engage in solution-oriented dialogue will become core competencies. They will characterize personal internal exchange and relationships with customers.

From an HR point of view, what was the biggest highlight in 2018?

The entire year was very intensive and provided a great number of exciting challenges. We analyzed in depth the results of our employee survey and drew conclusions for the future. I was particularly impressed by the large number of personal comments made. They contained much that is positive and included valuable suggestions for continued improvement. This kind of energy and readiness to address critical aspects turned out to be a real highlight for me.

# Brand Management Creates Identification and Strengthens Trust

Siegfried has invested in its brand and cultivated active stakeholder dialogue for years. We are convinced that this contributes toward a shared Siegfried identity at all of our sites and provides our customers with a measurable promise, namely to expect more from us.

Strong brands are consistent, relevant and differentiating. The aim of our brand management is to reach uniform awareness of the Siegfried brand worldwide among relevant internal and external stakeholders and to continually cultivate stakeholders. Thereby, our communication gives orientation, and it stabilizes the trust in our company. We attribute special importance to a shared corporate and leadership culture serving as a link that connects all business units.

Our brand promise "expect more" conveys our aim to surpass the expectations of all our important stakeholders – both internally and externally.

In recent years, Siegfried has grown vigorously, organically and by means of acquisitions, and we will keep moving in the future. In our dynamic environment, a strong brand that is committed to a clear performance proposition is of vital importance. Siegfried has for many years pursued a single-brand strategy, and the company deliberately avoids sub-brands. For us as suppliers to the life-science industry, it is decisive that our brand promise includes an emotional benefit for the customer, in addition to the functional.

From a purely rational point of view, we are a supplier to the pharmaceutical industry, and our customers evaluate us mainly by means of measurable criteria. However, this does not reach far enough in terms of characterizing our identity. As an organization working in the field of life science, we feel especially committed to people and their health. We expect from all our employees that they live up to this commitment credibly in their everyday lives – internally as a

part of the Siegfried family, and externally toward customers, suppliers, neighbors and other stakeholders.

Value-based dialogue with our stakeholders

Siegfried continues to entrench its corporate values in a systematic and targeted way in all parts of its organization, especially, following the acquisition between 2012 and 2015 (see Siegfried's Leadership Model, page 41). For our employees to deliver the required high performance, they have to form a global team with a shared understanding based on values. We work on this in annually recurring internal workshops at all sites and at all levels.

We make use of a stakeholder map (see page 42) in order to create a targeted and systematic dialogue with our stakeholders. The groups of persons included in this map are by no means final. We have determined them on the basis of their relevance to and their potential influence on our company. Moreover, based on regular stakeholder mapping, we can recognize attitudes and interests in order to adapt topics, messages and communication platforms accordingly.

We introduced new means of communications and optimized existing ones for various stakeholder groups. In 2016, we completely revised our website and, in addition to content, we updated its design and functionality so that its structure now meets established browsing habits. Thanks to its responsive design, the site automatically adapts to any screen size, clearly increasing user friendliness. Furthermore, we have strengthened our social media pres-

ence several platforms. We use them to target professional and leadership staff and to present current information and impressions.

In the summer of 2017, we introduced our new Intranet to strengthen internal communication; it has clearly increased the efficiency of our teams and the sense of community around the globe. The Intranet project had the goal of designing a user-friendly, optically appealing instrument that does justice both to our global and the individual local demands of the sites.

Not all of our 2364 employees worldwide work at a screen every day. That is why we continue to invest in a paper-based employee publication "Insight" appearing four times a year in English and German and also in French for our sites in Evionnaz and St. Vulbas. The contents concern the entire Siegfried Group while individual sites report on local news.

See Siegfried's Leadership Model in the Sustainability Report on page 41.



We would be pleased to hear from you.



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Chief Financial Officer  
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# Five good reasons that speak for Siegfried

## Leading Worldwide Life-science Company

In cooperation with our customers from the pharmaceutical industry we develop and produce drug substances, intermediates and finished dosage forms from a single source. Our core competence is integrating complementary chemical and pharmaceutical capabilities in a single consistent business model.

We consistently aligned Siegfried to position it as a CDMO (Custom Development and Manufacturing Organization) and, thanks to acquisitions and targeted organic growth, we achieved a leading worldwide position.

Our network of development and production sites comprises nine sites in Europe, North America and Asia. This integrated platform provides individual solutions for customers of all sizes and for any requirement while maintaining a high degree of flexibility, quality, supply reliability and efficiency during patent protection and thereafter.

## Strong in Growth, Value-oriented, Reliable

For years, Siegfried has achieved robust and distinctive growth. Since 2013, sales grew organically and by means of acquisitions from CHF 374.9 million to CHF 794.3 million in 2018. This corresponds to average annual growth (CAGR<sup>1</sup>) of 16.2 percent.

Our growth platform comprises a broadly diversified customer portfolio on all continents. The ten largest customers represent less than 40 percent and the ten largest products less than 30 percent of sales. The spectrum ranges from large pharmaceutical companies to small bio-pharmaceutical companies focusing on drug substances and drug product research and marketing.

End 2018, Siegfried's market value amounted to 1383 million Swiss francs. Since 2010 – the launch of the "Transform" strategy – the market value grew by 302 percent. The very robust balance sheet with an equity rate of 61.5 percent and an excellent Net Debt-to-EBITDA ratio of 0.6<sup>2</sup> ensure security and a strong capital base as well as agility in a rapidly consolidating market.

## Strong in Processes and Innovation Thanks to High Quality of the Teams

As a leading supplier we build on technological innovation and each year invest extensively in research & development. In 2018, R&D expenses amounted to 27.5 million francs or 3.5 percent of sales. Own innovations increase the quality of integrated development and production processes.

Each year, we invest a considerable sum in training our more than 2300 highly qualified and skilled employees worldwide. Siegfried's corporate values and management principles with company-wide validity unify all employees to form a global team. They represent the basis for our corporate promise "expect more".

## Perspectives in a Dynamic and Forward-looking Market

The health market – specifically the drug market – enjoys outstanding growth and earnings perspectives. Drugs play a crucial role for people to attain an increasingly high age at a good quality of life, and Siegfried as a supplier to pharmaceutical companies operates in the midst of this attractive market.

The outsourcing market is growing because the development of drugs is connected with increasingly large risks. Consequently, the pharmaceutical industry relies

on reliable, strong partners such as Siegfried to minimize risks. The CDMO market is heavily fragmented and undergoing an ongoing process of consolidation. In this market we shall continue to play an active role.

## Convincing Yield for Shareholders

Between end 2013 and end 2018, Siegfried's registered share grew by 107.9 percent, clearly above the rate of the relevant Swiss Performance Index (SPI), which grew by 25.4 percent. Total Shareholder Return<sup>3</sup> between end 2013 and end 2018 amounted to 114.2 percent. With a weighting of 70 percent, the ratio bears influence on the long-term remuneration component of Siegfried's management<sup>4</sup>, thus aligning the interests of shareholders with those of management.

Siegfried aims to strike a balance between attractive, predictable profit distribution and available means for the efficient implementation of strategy. Dividends are paid out from operating cash flow.

## 4 Questions to

Dr. Reto Suter  
Chief Financial Officer



### Where in the near future do you intend to invest the means generated from the strong cash flow?

Siegfried pursues a growth strategy. The strong operating cash flow is used mainly to finance this growth. Cash and cash equivalents can moreover be used to reduce loans and borrowings or redeem hybrid bonds. This in turn increases our debt capacity to finance our growth.

### In the coming years, where do you recognize the main market risks and how do you prepare to meet them?

We recognize market risks in two areas: On the one hand, as an internationally operating company we are exposed to currency risks which we meet by striving to balance earnings and expenses in the various currencies (natural hedging). On the other hand, we purchase raw material required for drug substance production in the market at prices exposed to market influences. In this regard we benefit from a central strategic procurement function established several years ago. This helps us today to manage and minimize these risks.

### What is the ideal balance-sheet structure for Siegfried, and what is the situation today?

Across time, the strong operating cash flow will further improve the very stable financing structure in place today. Our emphasis is on conservative financing. In case of an acquisition this gives us the necessary flexibility.

### What may shareholders expect from dividend policy in the future?

Siegfried's shareholders may expect constant, slightly growing dividend payments.

## Siegfried Share in Comparison with the SPI

31 Dec. 2013 – 31 Dec. 2018

107.9%

Siegfried share

25.4%

SPI

Growth in percent

+100%

+50%

Siegfried share

SPI

## Total Shareholder Return

31 Dec. 2013 – 31 Dec. 2018

114.2%

## Average Annual Growth (CAGR)

31 Dec. 2013 – 31 Dec. 2018

16.2%

## Equity Rate

31 Dec. 2018

61.5%



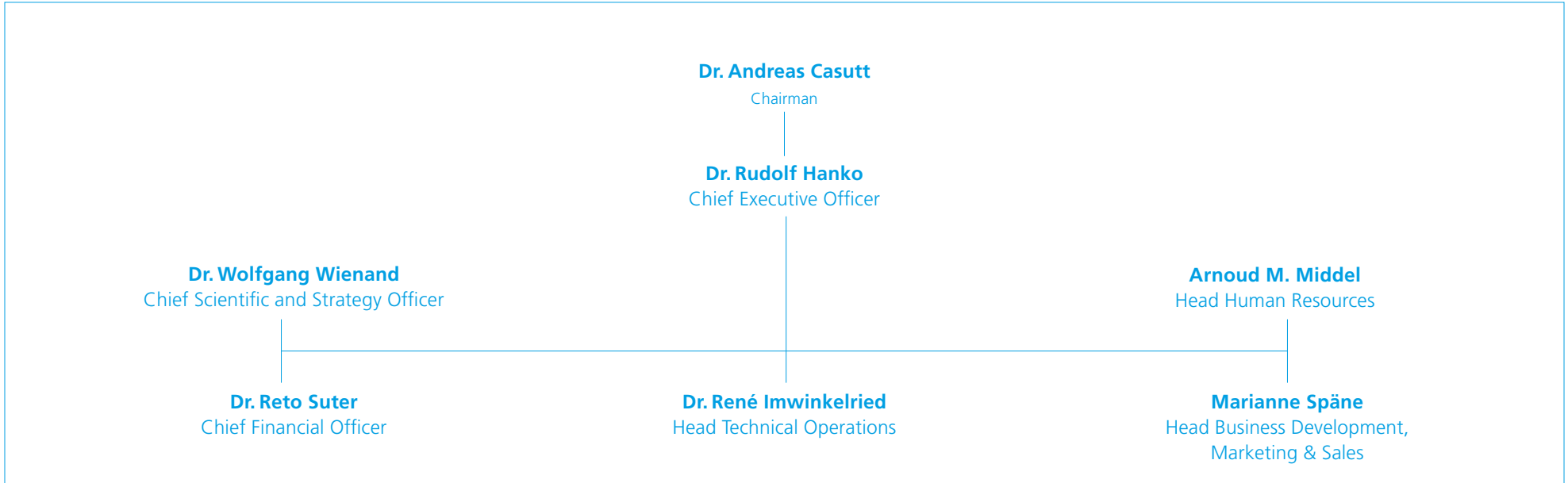
# Corporate Governance

Good and transparent Corporate Governance helps Siegfried to maintain and foster its long-term relationships with shareholders, customers and employees, thereby creating added value for the company and its stakeholders.

## 1. Group Structure and Shareholders

### 1.1 Group Structure

#### 1.1.1 Operational Group Structure (as of 31.12.2018)<sup>1</sup>



<sup>1</sup> For changes in the Executive Committee as of 01.01.2019 please refer to section 4 of this Corporate Governance Report.

#### 1.1.2 Legal Group Structure

Siegfried Holding AG, with registered office in Zofingen (Switzerland), is the parent company of the Siegfried Group, which, as at December 31, 2018, comprises 20 consolidated operating and holding companies worldwide. Siegfried Holding AG is listed on the SIX Swiss Exchange (valor symbol: SFZN, ISIN: CH0014284498). On December 31, 2018, the market capitalization of Siegfried Holding AG amounted to approximately CHF 1383 million.

Siegfried Holding AG is the only listed company of the Siegfried Group which includes the following major group companies:

	Currency	Capital in LC	Holding
1. Switzerland			
Siegfried Holding AG, Zofingen	CHF	8 513 498	100.00%
Siegfried AG, Zofingen	CHF	20 000 000	100.00%
Siegfried Pharma AG, Zofingen	CHF	1 000 000	100.00%
Siegfried Finance AG, Zofingen	CHF	14 000 000	100.00%
Siegfried Evionnaz SA, Evionnaz	CHF	1 000 000	100.00%
2. Europe			
Siegfried Hameln GmbH, Hameln	EUR	750 000	100.00%
Siegfried Hameln Services GmbH, Hameln	EUR	30 000	100.00%
Siegfried Hameln Real Estate GmbH & Co. KG., Hameln	EUR	25 000	100.00%
Siegfried PharmaChemikalien Minden GmbH, Minden	EUR	50 000	100.00%
Siegfried St. Vulbas SAS, St. Vulbas	EUR	15 200 000	100.00%
Siegfried Malta Ltd, Valletta	EUR	100 000	100.00%
3. USA			
Siegfried USA, LLC, Pennsville	USD	500 000	100.00%
Alliance Medical Products, Inc., Irvine	USD	116 521	100.00%
4. Asia			
Siegfried (Nantong) Pharmaceuticals Co., Ltd., Nantong	CNY	422 296 722	100.00%
Alpine Dragon Pharmaceuticals Ltd, Huangyang, Gansu Province	CNY	10 542 708	49.00%

1.2 Significant Shareholders

The shareholders listed in the following table have reported holdings of 3% or more of the voting rights of Siegfried Holding AG as of December 31, 2018. The detailed disclosure notifications pursuant to Article 120 Swiss Financial Market Infrastructure Act (FMIA) can be found under: <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>.

	Shares as of 31.12.2018	Holding % as of 31.12.2018 <sup>1</sup>	Shares as of 31.12.2017	Holding % as of 31.12.2017 <sup>2</sup>
<b>Shareholding &gt;3%</b>				
Norges Bank (the Central Bank of Norway), Oslo, Norway	130 203 <sup>3</sup>	3.1	141 199	3.4
René Braginsky, Susanne Braginsky, David Braginsky; Zurich / Tel Aviv	128 000 <sup>4</sup>	3.0		
Credit Suisse Funds AG, Zurich	127 304 <sup>5</sup>	3.0	197 123	4.7
Dimensional Holdings Inc., Wilmington, USA	126 587 <sup>6</sup>	3.0		
Siegfried Holding AG (own shares)	127 824 <sup>7</sup>	3.0		
RAG-Stiftung, Essen, Germany		<3 <sup>8</sup>	414 057	9.8
Tweedy, Browne Fund Inc., New York, USA		<3 <sup>9</sup>	207 655	4.9
Kreissparkasse Biberach, Biberach, Germany				
(BayernInvest Kapitalgesellschaft mbH, Munich, Germany )		<3 <sup>10</sup>	137 178	3.3
<b>Total</b>	<b>639 918</b>	<b>15.1</b>	<b>1 097 212</b>	<b>26.1</b>

<sup>1</sup> Based on 4 256 749 issued shares as of December 31, 2018.

<sup>2</sup> Based on 4 210 915 issued shares as of December 31, 2017.

<sup>3</sup> According to the disclosure notification of December 30, 2018.

<sup>4</sup> According to the disclosure notification of December 12, 2018.

<sup>5</sup> According to the disclosure notification of February 22, 2018.

<sup>6</sup> According to the disclosure notification of March 3, 2018.

<sup>7</sup> According to the disclosure notification of December 12, 2018.

<sup>8</sup> According to the disclosure notification of November 10, 2018.

<sup>9</sup> According to the disclosure notification of March 23, 2018.

<sup>10</sup> According to the disclosure notification of June 16, 2018.

As of December 31, 2018, 4109 shareholders were registered in the share register of Siegfried Holding AG, representing a shareholding of 64.2% of the total share capital. The distribution of the shares among the shareholders was as follows:

Distribution of shares as of December 31, 2018	Shareholders	No. of shares	%
1–10	512	3 190	0.1
11–100	2 372	118 968	2.8
101–1000	1 024	313 077	7.4
1001–10 000	161	496 100	11.7
10 001–100 000	35	1 012 039	23.8
100 001–1 000 000	5	791 411	18.6
	4 109	2 734 785	64.2

Own shares and non-registered shares	1 521 964	35.8
<b>Total</b>	<b>4 256 749</b>	<b>100.0</b>

Shareholdings by segment as of December 31, 2018 was as follows:

Holdings by segment as of December 31, 2018	Shareholders	No. of shares	%
Significant shareholders (>3%)	4 <sup>1</sup>	682 011	16.0
Individuals	3 790	669 460	15.7
Institutional investors	315	1 383 314	32.5
Own shares and non-registered shares		1 521 964	35.8
<b>Total</b>	<b>4 109</b>	<b>4 256 749</b>	<b>100.00</b>

<sup>1</sup> According to SIX disclosure notifications; excluding own shares.

1.3 Cross Shareholdings

The Siegfried Group has not entered into any capital- or share-based crossholdings with other companies.

2. Capital Structure

2.1 Share Capital

The share capital of Siegfried Holding AG recorded in the commercial register as of December 31, 2018 amounts to CHF 8 513 498, divided into 4 256 749 fully paid-up registered shares with a par value of CHF 2 per share. All registered shares (with the exception of treasury shares) authorize the holder to exercise one vote at the General Meeting of Shareholders, and grant the right to receive dividends (subject to the dividend resolution of the General Meeting of Shareholders). There are no preferred rights attached to any Siegfried shares.

The shares are issued as uncertificated securities within the meaning of Article 973c of the Swiss Code of Obligations and registered as intermediated securities within the meaning of the Swiss Federal Intermediated Securities Act. Shareholders have no right to request the printing and delivery of share certificates or the conversion of the form in which shares are issued into another form. Shareholders may, however, at any time request from Siegfried Holding AG the delivery of a confirmation as to the registered shares entered under his/her name in the share register.

2.2 Authorized and Conditional Share Capital

2.2.1 Authorized Share Capital

As of December 31, 2018, Siegfried does not have any authorized share capital

2.2.2 Conditional Share Capital

The 2014 General Meeting of Shareholders of Siegfried Holding AG approved a conditional share capital of CHF 420 000 in total, divided into 210 000 registered shares with a par value of CHF 2 each. As per December 31, 2018, a total of 106 749 shares has been issued out of the conditional share capital approved in 2014, in accordance with the purpose set forth in the Articles of Incorporation. As a result, the conditional share capital pursuant to Article 3bis of the Articles of Incorporation amounts to CHF 206 502, divided into 103 251 registered shares with a par value of CHF 2 each. This corresponds to approx. 2.4% of the outstanding share capital.

The conditional share capital is reserved for the issuance of Siegfried shares to members of the Board of Directors and/or the employees of Siegfried Holding AG and/or its group companies. Pre-emptive rights as well as advances subscription rights of company shareholders are excluded. The issuing of shares or related pre-emptive rights to members of the Board of Directors and/or employees of Siegfried Holding AG and/or its group companies shall take place in accordance with one or more regulations to be issued by the Board of Directors, taking into account such criteria as performance, functions, responsibility levels, and profitability. Shares or pre-emptive rights may be issued to members of the Board of Directors and/or employees of Siegfried Holding AG and/or its group companies at a price below the market price.

2.3 Changes in Share Capital

In the business year 2018, the share capital of Siegfried Holding AG increased by CHF 91 668 as a result of the issuance of 45 834 shares to the members of the Board of Directors and/or employees of Siegfried Holding AG and/or its group companies out of conditional share capital in accordance with Article 3bis of the Articles of Incorporation.

In the business year 2017, the share capital of Siegfried Holding AG increased by CHF 88 648 as a result of the issuance of 44 324 shares out of conditional share capital in accordance with Article 3bis of the Articles of Incorporation.

In the business year 2016, the share capital of Siegfried Holding AG increased by CHF 33 182 as a result of the issuance of 16 591 shares out of conditional share capital in accordance with Article 3bis of the Articles of Incorporation.

2.4 Participation Certificates and Dividend-right Certificates

As of December 31, 2018, Siegfried Holding AG has no participation certificates or dividend-right certificates outstanding.

2.5 Limitations on Transferability and Registration of Nominees

For as long as the shares of Siegfried Holding AG are in uncertificated form and registered as intermediated securities, any transfer and collateralization of shares must be made in accordance with the Swiss Federal Intermediated Securities Act.

Voting rights may be exercised only after a shareholder has been registered in the share register of Siegfried Holding AG as a shareholder with voting rights. Registration in the share register is subject to the following statutory restrictions:

- Registration requests are considered granted if Siegfried has not denied them within 20 days after receipt.
- Petitioners must expressly declare that they have acquired the shares in their own name and for their own account.

Individual persons, who refrain from explicitly declaring in the registration application that they hold the shares for their own account (“nominees”) may be entered into the share register with voting rights, provided the nominee enters into a corresponding agreement with the Board of Directors, and is subject to a recognized bank or financial market supervision. As of December 31, 2018, such an agreement existed with one nominee (Tweedy, Browne, New York, USA). All other nominees were registered in the share register without voting rights.

2.6 Convertible Bonds and Options

As per December 31, 2018 Siegfried hadno convertible bonds or options outstanding.

With respect to performance share units granted to the members of the Executive Committee and upper and middle management under the Long Term Incentive Plan of Siegfried Holding AG, please consult the Remuneration Report (page 33 et seq.).



### 3. Board of Directors

#### 3.1 Members of the Board of Directors

Name	Birth year	Position	Member since	End of term
Andreas Casutt	1963	Chairman, non-executive	2010	2019
Martin Schmid	1969	Vice Chairman, non-executive	2016	2019
Colin Bond	1961	Non-executive member	2013	2019
Wolfram Carius	1961	Non-executive member	2014	2019
Reto Garzetti	1960	Non-executive member	2011	2019
Ulla Schmidt	1949	Non-executive member	2016	2019

#### 3.2 Profiles

##### Dr. Andreas Casutt, Chairman

Andreas Casutt (1963) joined the Board of Siegfried Holding AG in 2010 and was elected Chairman in 2014. He has been a partner of the law firm Niederer Kraft Frey AG in Zurich since 2002, and held office as managing partner from 2006 to 2014. Andreas Casutt specializes in Corporate law, Contract law, Mergers & Acquisitions, and Stock Exchange law. In addition, he is a board member of Mikron Holding AG, Maxon Motor AG, Liechtenstein-based Bendura Bank AG and various privately held companies. Andreas Casutt studied law and received his Ph.D. in Zurich and completed an LL.M. program at the University of Michigan, Ann Arbor. Andreas Casutt is a Swiss citizen.

##### Dr. Martin Schmid, Vice Chairman

Martin Schmid (1969) joined the Board of Siegfried Holding AG in 2016. He was elected Councilor of State for the Canton of Grisons in 2011. From 2003 to 2011, he served as a member of the Canton of Grisons government, where he was in charge of the Department of Justice, Security, and Health as well as subsequently the Department of Finance. Martin Schmid is an attorney at law. He serves on the boards of Swiss Life Holding AG and Repower AG, and holds various other board mandates in the energy, health and construction sectors. In addition, he presides the Swiss Gas Industry Association (VSG ASIG), the foundation of the Cantonal Hospital Grisons and the Institute for Financial Economy and Finacial Law (IFF) of the University of St. Gallen. Furthermore, he is a board member of economiesuisse, a Swiss corporate union. He studied law at the University of St. Gallen, where he was awarded a Ph.D. in 2005. Martin Schmid is a Swiss citizen.

##### Colin Bond, Member of the Board

Colin Bond (1961) joined the Board of Siegfried Holding AG in 2013. In 2016, he was appointed Chief Financial Officer of Vifor Pharma AG. Previously, Colin Bond held the position of Group Chief Financial Officer of Evotec in Hamburg. Following career stations as a pharmacist, chartered accountant and management consultant, he worked for 25 years as Chief Financial Officer for several international companies in various industries, of which 11 years for Great Lakes Chemical Corporation, today Lanxess, a US-based global specialty chemicals company. Colin Bond holds a university degree in pharmacy from the University of Aston, Birmingham, and a MBA degree from London Business School. He is a citizen of Great Britain and Switzerland.

The Board of Directors of Siegfried Holding AG currently consists of six non-executive members.

During the previous three years, none of the members of the Board held a posi-

tion in the Executive Committee of Siegfried Holding AG or a Siegfried Group company, nor have they had any significant business relationship with Siegfried Holding AG or a Siegfried Group company. All members of

the Board of Directors of the current term of office 2018/2019 qualify as non-executive and independent within the meaning of the Swiss Code of Best Practice for Corporate Governance.

##### Prof. Dr. Wolfram Carius, Member of the Board

Wolfram Carius (1961) joined the Board of Siegfried Holding AG in 2014. In 2016, he was appointed Executive Vice President Pharmaceutical Product Supply at Bayer and, in this function, serves as a member of the Executive Committee at Bayer Pharma. Previously, Wolfram Carius worked for Sanofi, a French healthcare company, as Senior Vice President Biopharma Biologics and member of the Global Leadership Team. From 1987 to 2013, Wolfram Carius held various positions with the pharma company Boehringer Ingelheim. In 2009, he was appointed to the company's Board of Managing Directors, initially with responsibility for Human Resources and Technical Operations, and from 2012 for Biopharma and Operations. Before that, he was responsible for the development and expansion of the biopharma unit. He managed the company's production site in Japan and worked later in Brazil as technical director before being appointed member of Boehringer Ingelheim's Board of Managing Directors in Germany. Wolfram Carius holds a Ph.D. in pharmaceutical biology and analytical phytochemistry from the University of Saarland, Germany. In 2009, the Biberach University of Applied Sciences awarded him the title of honorary professor in recognition of his long and exceptional service. Wolfram Carius is a German citizen.

##### Reto A. Garzetti, Member of the Board

Reto A. Garzetti (1960) joined the Board of Siegfried Holding AG in 2011. Since 1999, he is a partner and Vice President of the board of SE Swiss Equities. He additionally serves on the board of SKW Stahl Metallurgie Holding AG (until 2016), listed on the German stock exchange, the board of Peach Properties AG (President), listed on the SIX Swiss Exchange, as well as on the board of the privately held companies AGI AG, Occlutech AG and other privately held companies in Switzerland and abroad. Previously, he served for many years on the board of multinational US companies. Reto Garzetti graduated 1986 from the University of Zurich in business administration (lic. oec. publ. / MBA) with the main emphasis on banking, trade and securities law. He is a Swiss and Italian citizen.

##### Ulla Schmidt, Member of the Board

Ulla Schmidt (1949) joined the Board of Siegfried Holding AG in 2016. She has been a member of the German Bundestag since 1990 and its Vice President from 2013 to 2017. From 2001 to 2009, she held the position of Federal Minister of Health in the Republic of Germany. She served in several public office functions; among others as City Councilor in Aachen. Ulla Schmidt is Chairwoman of the board of Federal Lebenshilfe Association headquartered in

Marburg, Germany, an expert member on the supervisory board of Charité-University Medicine Berlin, and was a member of the advisory committee of K&S Sozialbau AG, Sottrum, until December 31, 2018. Furthermore, she serves on the board of Aktion Mensch, Bonn, and is Chairwoman of the board of trustees of Hospizstiftung Region Aachen and a member of the board of Philips GmbH. Ulla Schmidt studied psychology at the Technical University of Aachen until the prediploma, and was awarded school teaching degrees from the University of Aachen. She studied and graduated from the Distance University of Hagen, with a degree that qualifies her to teach special education relating to the rehabilitation of children with learning disabilities and children with behavioural disturbances. Ulla Schmidt is a German citizen.

#### 3.3 Permitted Activities in the Supreme Managing or Administrative Body of Other Companies

Members of the Board of Directors of Siegfried Holding AG may not assume more than twenty additional mandates, of which no more than five for publicly listed companies. This applies to any mandate in the supreme managing or administrative body of a legal entity that is subject to the obligation to be entered in the Swiss commercial register or a corresponding register abroad. Mandates in different legal entities under common control or owned by the same beneficial owner shall be deemed to constitute a single mandate.

Not subject to these limitations are (i) mandates in companies that are controlled by, or which control, Siegfried Holding AG; (ii) mandates that a member of the Board of Directors assumes at the direction of Siegfried Holding AG or a group company, provided that no member of the Board of Directors may assume more than ten such mandates at companies that are not controlled by, or do not control, Siegfried Holding AG; (iii) mandates in associations, non-profit foundations, and pension benefit foundations, provided that no member of the Board of Directors may assume more than ten such mandates.

#### 3.4 Election and Terms in Office

The Board of Directors is responsible for the supervision of the Siegfried Group and its business units. The Board determines the group strategy, the allocation of resources, and the management structure of the Siegfried Group. It is also responsible for setting the organizational structure, accounting, financial control, and financial planning. To the extent it does neither exercise these duties itself nor delegate them to the Chairman of the Board, the Board of Directors has delegated the management of the business to the CEO of the Siegfried Group. Decisions are taken by the entire Board of Directors. The Board Regulations setting forth the Board's powers, duties, and internal organization may be found under [http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019\\_Organisationsreglement\\_DE.pdf](http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019_Organisationsreglement_DE.pdf).

During the business year 2018, the Board of Directors met for three one-day ordinary meetings, two half-day ordinary meetings and a strategy meeting of two days. In addition, numerous teleconferences were held. All Board members were present at all meetings.

#### 3.5 Internal Organization

The Board of Directors is responsible for the supervision of the Siegfried Group and its business units. The Board determines the Group strategy, the allocation of resources, and the management structure of the Siegfried Group. It is also responsible for setting the organizational structure, accounting, financial control, and financial planning. To the extent it does neither exercise these duties itself nor delegate them to the Chairman of the Board, the Board of Directors has delegated the management of the business to the CEO of the Siegfried Group. Decisions are taken by the entire Board of Directors. The Board Regulations setting forth the Board's powers, duties, and internal organization may be found under [http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019\\_Organisationsreglement\\_DE.pdf](http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019_Organisationsreglement_DE.pdf).

During the business year 2018, the Board of Directors met for three one-day ordinary meetings, two half-day ordinary meetings and a strategy meeting of two days. In addition, numerous teleconferences were held. All Board members were present at all meetings.

The following three Board Committees assist the Board of Directors:

- Audit Committee
- Remuneration Committee
- Strategy Committee

The following table shows the composition of the Board Committees for the term of office 2018–2019:

Committee	Chair	Member
Audit Committee	Colin Bond	Reto Garzetti, Martin Schmid
Remuneration Committee	Reto Garzetti	Martin Schmid, Ulla Schmidt
Strategy Committee	Wolfram Carius	Reto Garzetti, Ulla Schmidt

Board of Directors



**Dr. Andreas Casutt**  
Chairman



**Dr. Martin Schmid**  
Vice-Chairman



**Colin Bond**  
Member of the Board



**Prof. Dr. Wolfram Carius**  
Member of the Board



**Reto A. Garzetti**  
Member of the Board



**Ulla Schmidt**  
Member of the Board

Detailed profiles of the members of the Board of Directors and the Executive Committee are listed on pages 27 and 30-31 or on [www.siegfried.ch](http://www.siegfried.ch)



Executive Committee<sup>1</sup>



**Dr. Rudolf Hanko**  
Chief Executive Officer



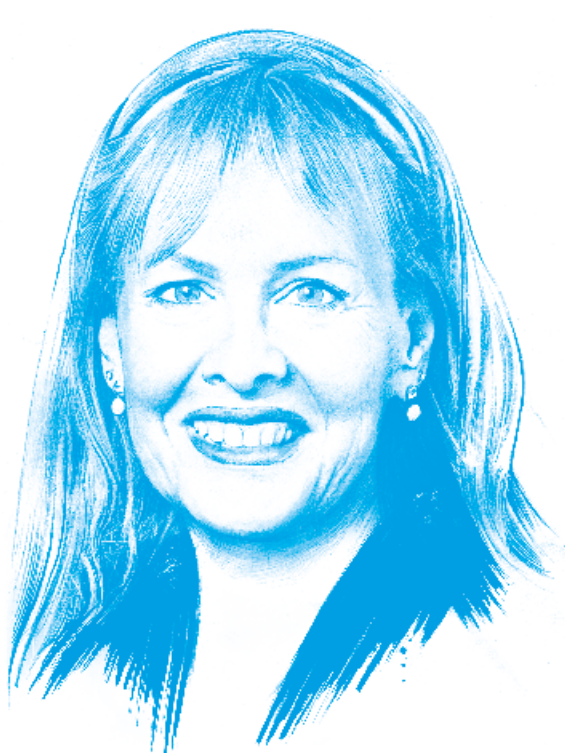
**Dr. Reto Suter**  
Chief Financial Officer



**Dr. René Imwinkelried**  
Head Technical Operations



**Arnoud Middel**  
Head Human Resources



**Marianne Späne**  
Head Business Development,  
Marketing & Sales



**Dr. Wolfgang Wienand**  
Chief Scientific and Strategy Officer

<sup>1</sup> Changes in the Executive Committee as of 01.01.2019 see section 4 of this Corporate Governance report.



The responsibilities and competencies of the Board Committees are set forth in more detail in article 16 paragraph 4 of the Articles of Incorporation (Remuneration Committee) ([http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/Statuten/EN\\_Statuten.pdf](http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/Statuten/EN_Statuten.pdf)) and

Section 3.3.3 of the Board Regulations (see [http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019\\_Organisationsreglement\\_DE.pdf](http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019_Organisationsreglement_DE.pdf)). The Board Committees review and discuss important matters in their relevant field of responsibility prior to Board meet-

ings. The Chairman of the Board, the CEO and the CFO, and the responsible members of the Executive Committee regularly attend these meetings. The Board Committees submit recommendations to the Board.

In the business year 2018, the Audit

Committee met four times, the Remuneration Committee met three times, and the Strategy Committee twice for half-day meetings. All committee members as well as the Chairman of the Board of Directors participated in the meetings.

	Ordinary Board Meetings					Audit Committee				Remuneration Committee			Strategy Committee	
	09.03.2018	20.04.2018	4–5.07.2018	17.08.2018	23.11.2018	02.03.2018	01.06.2018	17.08.2018	19.11.2018	02.03.2018	16.08.2018	12.11.2018	09.05.2018	12.11.2018
Andreas Casutt	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Martin Schmid	x	x	x	x	x	x	x	x	x	x	x	x		
Colin Bond	x	x	x	x	x	x	x	x	x					
Wolfram Carius	x	x	x	x	x								x	x
Reto Garzetti	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Ulla Schmidt	x	x	x	x	x					x	x	x	x	x

**3.6 Information and Control Instruments**  
The internal information and control system of the Board of Directors and the Executive Committee is based on the following monthly reporting instruments: Revenues and other financial results of the Siegfried Group are presented in detail and compared

with the budget and the previous year's results – including a financial forecast for the entire year. Quarterly reports focus on budget deviations, important business incidents, and the most important key performance indicators. A five-year plan outlines the financial planning for the next five business years. The Internal Control System (ICS)

and a comprehensive risk management procedure (described in detail on pages 58 et seq. of the Financial Report) further add to the Board's information and control instruments.  
The results are discussed and evaluated with the CEO, the CFO and other members of the Executive Committee at the meetings

of the Board of Directors. Furthermore, the Chairman of the Board discusses the course of business and other important topics with members of the Executive Committee on a regular basis.

## 4. Executive Committee

The Chief Executive Officer (CEO) is responsible for the operative and results-oriented management of the Siegfried Group and its divisions. Subject to the competencies and directives of the Board of Directors and its Chairman, the CEO is responsible for the definition and achievement of the corporate goals as well as the management of the Siegfried Group companies (results and balance sheet responsibilities). The detailed responsibilities and functions of the CEO are described in the Siegfried Group Board Regulations (see [http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019\\_Organisationsreglement\\_DE.pdf](http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/2019_Organisationsreglement_DE.pdf)).

**4.1 Members of the Executive Committee**  
There were no changes in the composition of the Executive Committee in the business year 2018.

As announced by Siegfried on June 4, 2018 Dr. Rudolf Hanko stepped down from his position as CEO of the Siegfried Group as per the end of the business year 2018. With effect as per January 1, 2019 Dr. Wolfgang Wienand, former Head Strategy and M&A and Head Research & Development, was appointed as new CEO by the Board of Directors. Dr. Hanko will be proposed to the shareholders for election to the Board of Directors of Siegfried Holding AG at the upcoming Annual General Meeting on April 17, 2019.

In addition, on October 15, 2018 Siegfried announced the appointment of Dr. Jürgen Roos as new Chief Scientific Officer of the Siegfried Group as per April 1, 2019. Members of the Executive Committee

may hold office until they reach the age of ordinary retirement under Swiss law. As of December 31, 2018, the age of ordinary retirement is 64 years for women and 65 years for men.

**4.2 Management Contracts**  
Siegfried Holding AG and its group companies have not entered into any management contracts with third parties.

**4.3 Permitted Activities in the Supreme Managing or Administrative Body of Other Companies**  
Members of the Executive Committee of Siegfried Holding AG may not assume more than five additional mandates, of which no more than one may be for a publicly listed company. This applies to any mandate in the supreme managing or administrative body of a legal entity that is subject to the obligation to be entered in the Swiss commercial register or a corresponding register abroad. Mandates in different legal entities under common control or owned by the same beneficial owner shall be deemed to constitute a single mandate.

Not subject to these limitations are (i) mandates in companies that are controlled by, or which control, Siegfried Holding AG; (ii) mandates that a member of the Executive Committee assumes at the direction of Siegfried Holding AG or a group company, provided that no member of the Executive Committee may assume more than ten such mandates at companies that are not controlled by, or do not control, Siegfried Holding AG; (iii) mandates in associations, non-profit foundations, and pension benefit foundations, provided that no member of the Executive Committee may assume more than ten such mandates.

**4.4 Profiles**  
**Dr. Rudolf Hanko, Chief Executive Officer (until 31.12.2018)**  
Rudolf Hanko (1955) was appointed CEO of Siegfried in May 2009. Prior to joining Siegfried, he worked in the chemical-pharmaceutical industry in various management positions, at Evonik Industries AG (Germany) as Head of Exclusive Synthesis & Amino Acids. Rudolf Hanko also headed the pharmaceutical division of Bayer AG as Head of Chemical Research and as General Manager of the fine chemicals division. Rudolf Hanko received his Ph.D. in chemistry from the University of Göttingen and completed post-doctoral studies at the Max Planck Institute. Rudolf Hanko is a German citizen.

**Dr. Reto Suter, Chief Financial Officer**  
Reto Suter (1971) joined Siegfried on May 1, 2017, as Chief Financial Officer. Over the last 16 years, he held a range of responsible positions in industry as well as in finance and private equity. In his last function as COO, CIO and Board Member of Lonrho, a long-established company headquartered in London (UK) and Johannesburg (SA), Reto Suter was responsible for overseeing the public takeover and subsequent delisting and restructuring. Reto Suter studied economics at the University of Zurich and the University of Washington in Seattle and took his doctorate in banking and finance at the University of Zurich. Reto Suter is a Swiss Citizen.

**Dr. René Imwinkelried, Head Technical Operations**  
René Imwinkelried (1957) heads the Technical Operations since November 2016. From 2012 to May 2017, René Imwinkelried was

responsible for the Research & Development of the Siegfried Group. From 2010 to 2012, he was Head of Global Technical Development Small Molecules at Roche in Basel. From 1991 to 2004, he worked in various R&D management positions at Lonza, and then as Head of Global Chemical and Physical Sciences at US-based Schering-Plough. He holds a Ph.D. in organic chemistry from the ETH Zurich and completed a post-doctoral fellowship at Colorado State University and Harvard University. René Imwinkelried is a Swiss citizen.

**Arnoud M. Middel, Head Human Resources**  
Arnoud Middel (1971) joined the Siegfried Group in September 2011 as Head of Human Resources. Previously, he worked for various companies in the field of HR. From 2004 to 2006, he held a leading position in the Human Resources department of the Baloise insurance Switzerland. From 2006 to 2008, he was Head HR for the region Continental Europe and Asia of the American industry- and reinsurance group XL-Insurance (today XL-Catlin). From 2008 to 2011, he worked as Head of HR Switzerland and Global Headquarters for Syngenta in Basel. He completed his studies in biology and biochemistry at the University of Basel. Arnoud Middel is a Dutch citizen.

**Marianne Späne, Head Business Development, Marketing & Sales**  
Marianne Späne (1962) joined the Siegfried Group in 2004 and was appointed Head of Business Development & Sales in March 2010. She headed the Siegfried Generics Division from 2008 to 2010. From 2004 to 2008, Marianne Späne managed the Business Development Department

As per December 31, 2018, the Executive Committee of Siegfried comprised the following persons:

Name	Birth year	Position	Member since	In current function since	Comments
Rudolf Hanko	1955	Chief Executive Officer	2009	2009	Resignation as per 31.12.2018
Reto Suter	1971	Chief Financial Officer	2017	2017	
René Imwinkelried	1957	Head Technical Operations	2012	2016	
Arnoud M. Middel	1971	Head Human Resources	2011	2011	
Marianne Späne	1962	Head Business Development, Marketing & Sales	2004	2010	
Wolfgang Wienand	1972	Head Strategy and M&A Head Research & Development	2010	2011 2017	Since 01.01.2019: Chief Executive Officer

and the Supply Chain for Generics. Prior to joining Siegfried, she worked in logistics, business development and as site manager for Boucheron, a cosmetics company. Later, Marianne Späne moved to the pharmaceutical industry and joined the pharma division of Schweizerhalle as Head of the Sales and Marketing department. Subsequently, she joined Aceto, a US-based company, where she developed European expansion strategies. Marianne Späne holds degrees in finance, business administration and marketing from the Business Management School (KFS) in Basel and the Marketing & Business School in Zurich (MBSZ). Marianne Späne is a German citizen.

**Dr. Wolfgang Wienand,**  
**Chief Scientific and Strategy Officer**  
**(since 01.01.2019:**  
**Chief Executive Officer)**  
Wolfgang Wienand (1972) joined the Siegfried Group in 2010 as Chief Scientific Officer, responsible for Siegfried's global Research and Development activities. In December 2011, he took over the function as Chief Strategy Officer with responsibility for Strategy, Mergers & Acquisitions, Legal and Intellectual Property Management and Regulatory Affairs. From May 2017 until December 2018, he was in charge for both areas. With effect as per January 1, 2019, the Board of Directors appointed Wolfgang Wienand as new Chief Executive Officer of the Siegfried Group. Before joining Siegfried, Wolfgang Wienand held senior management positions at Evonik Industries AG with a focus on fine chemistry and custom manufacturing for the pharmaceutical industry. Wolfgang Wienand studied chemistry at the University of Bonn and subsequently obtained a Ph.D. in organic and bioorganic chemistry from the University of Cologne. In addition, he holds an Executive Master's Degree in International Finance of HEC in Paris. Wolfgang Wienand is a German citizen.

5. Remuneration, Investments and Loans

5.1 Content and Method of Determining the Remuneration and the Equity Participation Plans

For details regarding the remuneration and shareholdings of the members of the Board of Directors and the Executive Committee as well the principles and elements of remuneration and the equity participation plans of members of the Board of Directors and the Executive Committee, together with a description of the authorities and procedures in connection therewith, please refer to the Remuneration Report on page 33 et seq. of this Annual Report.

5.2 Statutory Provisions regarding Performance-Related Remuneration and the Allocation of Equity Securities

Pursuant to article 23 of the Articles of Incorporation and subject to approval by the General Meeting of Shareholders, the remuneration of the members of the Board of Directors consists of a fixed base remuneration, an individual functional remuneration and a lump-sum expense allowance in cash, as well as a fixed number of shares of Siegfried Holding AG. The Board of Directors determines the number of shares as well as the relevant terms and conditions, including the time of their allocation and any restrictions on transferability. Absent exceptional circumstances, the members of the Board of Directors do not receive any performance-based remuneration; any such remuneration would be measured against predefined performance targets only.

Pursuant to article 24 of the Articles of Incorporation and subject to approval by the General Meeting of Shareholders, remuneration for members of the Executive Committee consists of a fixed base remuneration in cash as well as performance-based remuneration, which comprises a short term performance-based remuneration in cash as well as a multi-year employee share ownership plan. The Board of Directors determines the targets, target levels, and target achievement for both the short- and the long-term performance-based remuneration in accordance with the principles set forth in the Articles of Incorporation (cf. [http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/Statuten/EN\\_Statuten.pdf](http://www.siegfried.ch/fileadmin/Dateien/PDF/Others/Statuten/EN_Statuten.pdf)).

In the event of a change of control of Siegfried Holding AG, or in case of other extraordinary events, the Board of Directors may during the course of an ongoing performance period adapt, shorten or eliminate the targets for performance-based remuneration, exercise conditions and periods as well as vesting periods and the relevant performance-based remuneration may be forfeited or paid out under the assumption that targets would have been achieved.

5.3 Statutory Provisions regarding Payments to Members of the Executive Committee Appointed after the Shareholders' Vote on Pay

Pursuant to article 25 of the Articles of Incorporation, Siegfried Holding AG or any group company may, with respect to any member of the Executive Committee who joins the Executive Committee or is promoted during a period for which the General Meeting of Shareholders has already approved remuneration for the Executive Committee, pay out remuneration for such period(s) if the amount already approved is insufficient. The amount per remuneration period may not exceed 40% for the CEO and 25% for each other member of the Executive Committee, of the most recently approved total remuneration.

In addition, Siegfried Holding AG may compensate a newly appointed member of the Executive Committee for any losses suffered in connection with assuming the new position as a result of forfeited vested benefits from his previous position. Such compensation may not exceed CHF 1 000 000 for the CEO and CHF 500 000 per person for the other members of the Executive Committee.

5.4 Statutory Provisions regarding Loans, Credit Facilities and Post-Employment Benefits

Pursuant to article 27 of the Articles of Incorporation, Siegfried Holding AG may grant loans and credits to members of the Board of Directors and the Executive Committee up to a maximum of the total of their respective individual fixed base remuneration in cash. In addition, Siegfried Holding AG may pay advances on attorney fees, court costs, and the like, up to a maximum of CHF 1 000 000 per member, in order to defend against liability and similar claims by third parties in connection with its activities performed for the company.

5.5 Statutory Provisions on the Vote on Pay at the General Shareholders' Meeting

Pursuant to article 16 of the Articles of Incorporation, the General Meeting of Shareholders resolves annually on the approval of the motions of the Board of Directors with regard to:

- the maximum total amount of remuneration for the Board of Directors for the term of office expiring at the next ordinary General Meeting of Shareholders;
- the maximum total amount of fixed remuneration for the Executive Committee for the following financial year;
- the total amount of short-term performance-based remuneration for the Executive Committee for the most recent financial year;
- the total amount of long-term performance-based remuneration for the Executive Committee for the current financial year.

Resolutions on the approval of remuneration for the Board of Directors and the Executive Committee, respectively, are taken separately. The Board of Directors may submit the elements of remuneration for approval either separately or combined. In addition, the Board of Directors may submit proposals to the General Meeting of Shareholders regarding (i) the total amounts and/or remuneration elements for other periods and/or (ii) supplementary amounts for certain remuneration elements. If the General Meeting of Shareholders declines to approve a motion of the Board of Directors, the Board of Directors may submit new motions at the same General Meeting of Shareholders, at an extraordinary General Meeting of Shareholders, or at the next ordinary General Meeting of Shareholders.

6. Shareholder Rights

**6.1 Voting Rights and Proxy**  
Each share registered in the share register with voting rights grants to its holder one voting right at the General Meeting of Shareholders. A shareholder may be represented at the General Meeting of Shareholders by a natural person duly authorized in writing, or by the independent voting proxy.

The General Meeting of Shareholders passes its resolutions by a simple majority of the votes cast, unless a qualified majority is required by applicable law or the Articles of Incorporation. If no absolute majority is reached, the chairman casts the deciding vote.

The approval of at least two-thirds of the votes represented is required for resolutions of the General Meeting of Shareholders with respect to:

- a change of the company's purpose
- the creation of shares with preferential voting rights
- amendments to the provisions governing the transferability of shares
- the conversion of registered shares into bearer shares
- an authorized or conditional increase in capital
- an increase in share capital through the conversion of capital surplus, through an in-kind contribution or in exchange for an acquisition of property and a grant of special benefits
- the restriction or cancellation of pre-emptive rights
- the relocation of the company's registered office
- the dissolution of the company without liquidation.

6.2 Calling a General Meeting of Shareholders and Setting the Agenda

The General Meeting of Shareholders is called and the agenda therefore is set in accordance with the applicable provisions of the Swiss Code of Obligations.

Shareholders representing shares with a nominal value of CHF 500 000 or more may request that an item be added to the agenda of the General Meeting of Shareholders. Any such request must be made in writing at least 45 days prior to the meeting, setting forth the requested additional agenda item and the motion thereto. No previous request or notification is required for motions concerning items included on the agenda and for debates as to which no vote is taken.

6.3 Entry into the Share Register/ Invitation to the General Meeting of April 17, 2019

The Board of Directors has determined that the share register for the Annual General Meeting of Shareholders 2019 will be closed on Wednesday, April 10, 2019. All Shareholders wishing to attend the Annual General Meeting of April 17, 2019, must submit their application for registration of shares in the share register no later than said date. No entries into the share register will be made from Wednesday, April 10, 2019, until Wednesday, April 17, 2019. Shareholders who sell their Siegfried shares prior to the General Meeting of Shareholders forfeit their voting rights.

The invitation to the General Meeting, the minutes of the previous General Meeting, and the motions of the Board of Directors are made accessible on the website of the Siegfried Group ([www.siegfried.ch](http://www.siegfried.ch)).

7. Change of Control and Defensive Measures

7.1 Mandatory Take-Over Offers

There are no provisions in the Articles of Incorporation of Siegfried Holding AG regarding opting out or opting up (article 125 and 135 of the FMIA).

7.2 Change of Control Clauses

The Long Term Incentive Plan of the Siegfried Group (see Remuneration Report, page 36 et seq.) provides that:

- a) in the event of a change of control of Siegfried Holding AG, plan participants will, on the date of the change of control, receive a pro-rated number of Siegfried shares for all PSUs granted for ongoing vesting periods. The number of Siegfried shares to be distributed per PSU is calculated on the basis of a valuation method to be determined by the Board
- b) in the event of a takeover which is not endorsed by the Board, Siegfried shares will be distributed to the plan participants pro-rata and on the basis of 100% target achievement as per the date of change of control for all PSUs granted for ongoing vesting periods. The pro-rata entitlement is calculated from the grant date of the PSUs until the date of change of control.

8. Auditors

8.1 Contract Duration and Lead Auditor Term Length

PricewaterhouseCoopers AG (PwC), Basel (or its predecessor companies) has been the statutory auditor of Siegfried Holding AG since 1920. For the business year 2018, the lead auditor, Thomas Illi, carried out the audit for the second time. The auditor is annually elected by the General Meeting of Shareholders.

8.2 Audit Fees

PwC billed the Siegfried Group for services in connection with auditing of the annual financial statement of Siegfried Holding AG and of the Siegfried Group companies, the consolidated 2018 financial statement of the Siegfried Group and related auditing services CHF 755 000 (2017: CHF 746 000).

8.3 Additional Fees

For tax consulting and other services in the financial year 2018, PwC billed the Siegfried Group CHF 123 000 (2017: CHF 372 000).

8.4 External Audit Informational Instruments

The Audit Committee evaluates and discusses the performance, fees, and independence of the auditor every year. It reports to the Board and proposes a motion at the General Meeting on the election (or reelection) of the auditor. The contract is awarded based on a budget presented to the Audit Committee by the auditor.

The auditor regularly attends the meetings of the Audit Committee; there were four meetings in 2018. During such meetings, the auditor presents detailed audit reports, which are also distributed to the Board. Assignments for PwC that go beyond the auditing mandate are subject to approval by the head of the Audit Committee.

9. Information Policy

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, the 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 semi-annually for the media and financial analysts.

Siegfried Holding strictly observes the mandatory disclosure rules of the SIX Swiss Exchange (“ad hoc disclosure”) regarding potentially price sensitive facts. In 2019, the Siegfried Group will inform about the course of business as follows:

- March 7, 2019: publication of results for the 2018 business year at a media and analyst conference in Zurich (media and financial analysts)
- April 17, 2019, 10:00 a.m.: Annual General Meeting of Shareholders
- August 21, 2019: publication of 2019 half-year financial results

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# Remuneration Report

The Remuneration Report describes Siegfried Group’s (Siegfried’s) remuneration principles and defines the competencies and responsibilities associated with setting remuneration for members of its Board of Directors and Executive Committee. The report also contains detailed information about remuneration plans and payments made in the 2018 financial year.

- This Remuneration Report was drafted in accordance with Siegfried Holding’s articles of incorporation and with SIX Swiss Exchange’s Directive Corporate Governance, and contains all the information required as per article 663b<sup>bis</sup> and article 663c paragraph 3 of the Swiss Code of Obligations (CO), as well as articles 13 to 17 of the “Ordinance Against Excessive Compensation at Public Companies” (Verordnung gegen übermäßige Vergütungen bei börsenkotierten Aktiengesellschaften, VegÜV).
- The Remuneration Report is structured as follows:

  - Introduction by the Chair of the Remuneration Committee
  - Competencies and tasks of the Remuneration Committee
  - Procedures for setting and authorizing remuneration
  - Principles of remuneration policy and remuneration elements
  - Remuneration of the Board of Directors
  - Remuneration of Executive Committee
- Shareholdings of the Board of Directors and Executive Committee at the end of the reporting year
  - Contractual agreements, loans, credits, and additional contributions

In this report, details pursuant to articles 14 to 17 VegÜV are to be found in the following sections:

VegÜV Article	Text / Figure / Table	Page
Art. 14: Remuneration paid to the Board of Directors and Executive Committee	Remuneration paid to the Board of Directors in the 2018 reporting year (audited)	38
	Remuneration paid to the Board of Directors for the 2018/2019 term of office (projection)	38
	Remuneration paid to the Board of Directors in the 2017 reporting year (audited)	38
	Remuneration paid to the CEO and Executive Committee in the 2018 reporting year (audited)	39
	PSUs allocated to the CEO and Executive Committee in the 2018 reporting year	39
	Remuneration paid to the CEO and Executive Committee in the 2017 reporting year (audited)	39
Art. 15: Loans and credits granted to the Board of Directors and Executive Committee	As of December 31, 2018, Siegfried Holding AG and its Group companies do not have any outstanding securities, loans, advances or credits to members of the Board of Directors or the Executive Committee of Siegfried Holding AG. (audited)	40
Art. 16: Remuneration, loans and credits to affiliated persons	Further, no securities, loans, advances or credits were granted at non-market rates to persons affiliated with current members of the Executive Committee or Board of Directors or to former members of the Executive Committee or Board of Directors in 2018; nor are any such commitments outstanding as at December 31, 2018. (audited)	40
Art. 17: Audit of the remuneration report by statutory auditor	Report of the Statutory Auditor on the Remuneration Report	40

## Introduction by Chair of Remuneration Committee

The remuneration of the Board of Directors, the Executive Committee, and non-management employees of the Group is an important topic for all of Siegfried’s stakeholders. In 2018, the Remuneration Committee thus once again made concerted efforts to ensure Siegfried’s attractiveness as an employer, ensure full and transparent compliance with statutory regulations/internal guidelines and review the appropriateness of the remunerations on an ongoing basis.

- The following topics related to remuneration were addressed in 2018:
- Annual review of overall remuneration for the Executive Committee and Board of Directors
  - Adjustment of Long Term Incentive (LTI) remuneration for the Executive Committee

This report provides detailed explanations of our remuneration principles and model; it sets out how each remuneration element and plan works and highlights how they are linked to enterprise value and target achievement. The report also presents – and comments on – key targets, target achievement and the resulting amounts paid to the

Board of Directors and Executive Committee in the reporting year, as per legal requirements.

As explained in the general section of the annual report, 2018 was another challenging year for Siegfried from an operational point of view. As in previous years, the Board of Directors, along with the CEO and the Executive Committee, set ambitious goals for the company, designed to ensure a long-term increase in enterprise value. The Group-wide EBITDA and ROCE targets were not met, and this is reflected in the target achievement figures. The strategy of deliberately and systematically linking remuneration to operational performance (i.e. short-term, performance-based incentives are only

distributed if operational targets are met) is clearly effective.

In addition to dealing with regular remuneration issues, in 2019 the Remuneration Committee will once again devote attention to corporate culture, leadership, talent management and employee development initiatives spearheaded by the Executive Committee, as the Board of Directors is convinced that these factors are fundamental to sustainable business success.

## 1. Competencies and Tasks of Remuneration Committee

In accordance with the articles of incorporation, the Remuneration Committee is composed of at least two members of the Board of Directors, who are each elected by the General Meeting for a one-year term of office. Reto Garzetti (Chair), Dr. Martin Schmid and Ulla Schmidt were elected to the Remuneration Committee for the 2018/2019 term of office. The Remuneration Committee shall constitute itself; it may appoint a chair from among its members.

The Remuneration Committee supports the Board of Directors in

- defining and reviewing the remuneration policy and principles;
- defining and reviewing the targets and target levels for short and long-term performance-based remuneration elements and evaluating target achievement;
- preparing recommendations on Board and Executive Committee members’ remuneration for the attention of the General Meeting.

Depending on the agenda, the Chairman of the Board, the CEO, and the Global Head HR may also join meetings of the Remuneration Committee. The Chairman of the Board, the CEO, and/or the Global Head HR must withdraw during consideration of agenda items relating directly to them. After every Remuneration Committee meeting, a set of minutes and a summary of topics discussed, decisions taken and recommendations made is sent to the Board of Directors. The Remuneration Committee convenes at least twice annually. During the reporting year, the Remuneration Committee convened three times for ordinary meetings and also held other discussions.

### Topics considered per Remuneration Committee meeting in 2018

Topics	Winter	Summer	Autumn
<b>General subjects</b>			
Personnel changes in Senior Management group	•	•	•
Update HR projects	•	•	•
Update pension funds	•	•	•
Talent review			•
<b>Governance</b>			
Preparation of remuneration report (incl. analysis on remuneration disclosure)		•	•
Approval of remuneration report	•		
Preparation “Say-on-Pay” vote for upcoming GM	•		
<b>Remuneration of Board of Directors</b>			
Setting remuneration for next term of office (incl. amount to be approved at GM)	•		
<b>Remuneration of Executive Committee</b>			
Signing off target achievement for previous year and approving short-term performance-based remuneration (STI) (incl. amount to be approved at GM)	•		
Setting grant date for long-term performance-based remuneration (LTI)	•		
Setting LTIP remuneration amount for current financial year (incl. amount to be approved at GM)	•		
Setting target remuneration for next financial year (incl. amount to be approved at GM)	•		
Setting STI target values for next financial year			•
Setting LTIP target values for next performance period			•

## 2. Procedures for Setting and Approving Remuneration

**Regular Benchmarking and External Consultants**  
In keeping with normal industry practice, Siegfried regularly benchmarks internal remuneration data at all locations against those of other multinational companies in order to ensure competitiveness and attractiveness on the labor market. Our goal is to ensure that employees who meet the academic, performance and behavioral criteria associated with a given position receive a

total remuneration package that is in line with the benchmark market median for similar positions in comparable companies. For this purpose, Siegfried works with independent external remuneration specialists.

The remuneration packages of Siegfried’s Executive Committee and Board members are regularly reviewed – usually every two to three years – and compared with data from executive studies, specific benchmark data, and disclosures of companies that are com-

parable in terms of size and structure, business mix, model, and geographical structure; the extent to which the selected companies compete with Siegfried for the same highly qualified employees is also factored into the equation. The remuneration packages of Siegfried’s Executive Committee were last reviewed in 2017, on the basis of an executive study undertaken in collaboration with an external partner (Mercer), and are next due to be reviewed in 2019.

### Process for Setting and Approving Remuneration

Remuneration is set and approved as follows:

Process for defining and approving remuneration	CEO	Remuneration Committee	Board of Directors	General Meeting
Principles of remuneration for the Board of Directors		Makes proposal	Proposes a motion	Enacts
Remuneration model for CEO (incl. short- and long-term performance- based remuneration in the form of cash or shares) and terms of employment contract		Makes proposal	Proposes a motion	Enacts
Remuneration model for the Executive Committee (incl. short- and long-term performance-based remuneration in the form of cash or shares)	Makes proposal	Recommends	Proposes a motion	Enacts
Maximum total remuneration for the Board of Directors for the term of office lasting until the next Ordinary General Meeting		Makes proposal	Enacts	Approves
Maximum total remuneration for the fixed remuneration of the Executive Committee (incl. the CEO) for the following financial year	Makes proposal	Recommends	Enacts	Approves
Maximum total short-term performance-based remuneration of the Executive Committee (incl. the CEO) for the previous financial year	Makes proposal	Recommends	Enacts	Approves
Maximum total long-term performance-based remuneration of the Executive Committee (incl. the CEO) for the current financial year	Makes proposal	Recommends	Enacts	Approves
Principles of share and profit-sharing plans		Makes proposal	Enacts	
HR and remuneration policy		Makes proposal	Enacts	

The following remuneration elements were approved at the General Meeting on April 20, 2018:

- Maximum total for overall remuneration of the Board of Directors for the 2018/2019 term of office (CHF 1 500 000)
- Maximum total for the fixed overall remuneration of the Executive Committee for 2019 (CHF 3 300 000)
- Short-term, performance-based remuneration for the Executive Committee for 2017 (CHF 1 463 526)
- Long-term, performance-based remuneration for the Executive Committee for 2018 (CHF 3 410 000)

Likewise, the proposals relating to the structure described above will be put before the General Meeting on April 17, 2019.

3. Principles of Remuneration Policy and Remuneration Elements

Principles of Remuneration Policy  
Recruiting, developing, and retaining qualified and talented managers and specialists is crucial for Siegfried's success. The remuneration structure and its elements are geared towards achieving this goal and are based on the following objectives:

- ensure an effective link between individual performance and sustainable enterprise value for Siegfried's shareholders;
- reward individual performance, competence, and desired behaviors in line with Siegfried's corporate values and leadership principles;
- create a sustainable performance culture by implementing performance-related remuneration that is contingent on the Group's success;
- set effective incentives by balancing long and short-term remuneration elements;

- act fairly and transparently when making and communicating remuneration-related decisions;
- ensure market competitiveness;
- comply with all legal and regulatory requirements relating to remuneration including, in particular, those regarding minimum wages, equal pay for men and women, and provisions linked to the disclosure and approval of remuneration for Siegfried's most senior decision-making bodies;
- ensure that dilution resulting from performance/share-based remuneration does not exceed 1.0% per year (long-term average).

Remuneration Elements  
Siegfried's remuneration model is designed as a package consisting of fixed and performance-based elements.

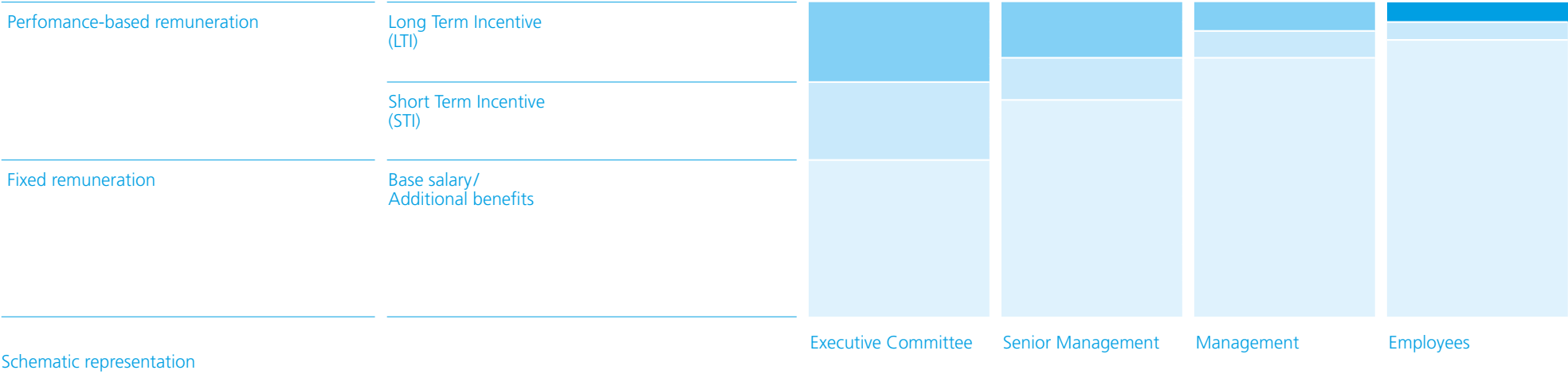
An employee's total remuneration mix is contingent on his/her functional level, position, responsibilities, experience, and location. In the reporting year, employee remuneration was composed of the following elements:

1. Fixed remuneration – annual base salary
2. Performance-based remuneration
  - (i) Short-term, performance-based remuneration (Short Term Incentive Plan, STIP)
  - (ii) Long-term, performance-based remuneration (Long Term Incentive Plan, LTIP)
3. Additional remuneration elements
  - (i) Additional benefits, in line with market practice
  - (ii) Employee Share Purchase Plan (ESPP)

Fixed Remuneration – Annual Base Salary  
Each employee receives an annual base salary that is linked to the requirements of the position, the individual's experience, capabilities and performance, as well as local market conditions. Siegfried aims to ensure that the base salary of employees who meet the expected performance and qualification parameters in full corresponds to the market median for comparable positions in the chemicals/pharmaceuticals industry. Annual adjustments are made individually in light of internal and external benchmarks regarding the competitiveness of salaries, employee performance, and the overall economic health of the company. Salary adjustments only occur automatically in cases where they are required by law or prescribed in sectoral collective agreements. Base salaries are only adjusted in the course of a given year if a person takes over a new or broader function.

	Element	Instrument	Purpose	Criteria	Target Group
Fixed remuneration	Annual base salary	Monthly cash payment	Attracting and retaining employees	Requirements of the job, employee experience and ability, job performance, local market conditions	All employees
	Short-term, performance-based remuneration (STIP)	Annual cash payment	Rewarding employees' performance and contribution to enterprise value	Achieving corporate, functional, and individual targets in a given financial year	All employees (excluding Board members)
Performance-based remuneration	Long-term, performance-based remuneration (LTIP)	Annual grant of performance share units (PSUs)	Ensuring a sustainable increase in enterprise value; aligning the interests of shareholders and management	Achieving corporate targets at the end of the three-year performance period	Management (excluding Board members)
	Additional benefits	Pension plan and fringe benefits	Safeguarding employees and their dependents in old age or in the event of illness	Local market conditions, laws and other regulations	All employees
Additional benefits	Employee Share Purchase Plan (ESPP)	Employee participation plan, which allows employees to purchase Siegfried shares at a discounted price	Strengthening employees' interest in and loyalty to the company; enabling employees to take a stake in the company's success via a potential share price increase	Size of initial investment, share price development	Employees below management (excluding LTIP participants)

The performance-based share of remuneration depends on an individual's functional level; the greater the responsibility assumed within the organization, the larger the share.



Schematic representation

Short-Term, Performance-Based Remuneration (Short Term Incentive Plan, STIP)  
The Short Term Incentive Plan (STIP) allows Siegfried to customize employee incentives across all functional levels. The Short Term Incentive (STI) rewards an individual's performance and contribution to enterprise value, based on a retrospective consideration at the end of each financial year; it is paid in cash (at nominal value) in the following year.

The performance-based remuneration paid out under the STIP is contingent on the achievement of corporate, functional, and

individual targets. A personal target bonus assuming 100% target achievement ("target STI") is defined for each plan participant. The target STI depends on the plan participant's functional level. The target categories and associated weighting applicable to each employee depend on the employee's functional level and are defined in a target matrix that is coordinated across all areas of the company.

Under the STIP, targets are set annually for one financial year (performance period). Responsibility for defining STIP targets depends on the functional level of the employee, and is assigned as follows:

Level	Corporate targets Setting and approval of targets and target achievement	Functional targets Setting and approval of targets and target achievement	Individual targets Setting and approval of targets and target achievement
CEO		n. a.	Chairman of the Board of Directors
Executive Committee	Board of Directors	CEO	CEO
Senior Management			
Management		Executive Committee	Line Manager
Employees			



The corporate targets used are EBITDA (earnings before interest, taxes, depreciation and amortization) and ROCE (return on capital employed) – key operational and strategic performance indicators commonly used in the chemical industry. The Board of Directors sets and approves the target values annually, based on the figures in Siegfried’s medium-term planning (5-year horizon) and on the budget for the year in question. The annually defined EBITDA and ROCE targets are geared to achievement of the long-term EBITDA and ROCE goals on which the LTIP is based.

Functional targets (quantitative and qualitative) are derived from Siegfried’s strategy, operational priorities, and corporate targets and are based on the overall performance of a given function. They are defined in a top-down process by the Executive Committee and are broken down incrementally into individual departments, locations, and teams. Functional targets are, for the most part, predefined KPIs related to steering the operational business and achieving corporate targets. Typical key indicators include net working capital (defined

as a percentage of sales revenue), safety statistics per location (number of notifiable events as per international OSHA [Occupational Safety and Health Administration] standards), profitability per location (manufacturing efficiency), and active management of overdue.

Individual targets relate to the performance of the employee and usually take the form of project, leadership, or behavioral targets which are agreed bilaterally between the line manager and the employee.

At the end of the one-year performance period, target achievement of the corporate, functional, and individual targets is assessed. The achievement scale ranges from 0 to maximum 200% for corporate targets, and from 0 to maximum 150% for functional and individual targets. An individual’s overall target achievement is derived from the weighted sum of target achievements. The individual STI is calculated by multiplying the target STI amount by the overall target achievement.

Sample calculation of target achievement for a member of middle management with a target STI of 10% of fixed annual base salary:

Target category	Weighting of target category	Target achievement	Weighted target achievement
Corporate targets	30%	90%	27%
Functional targets	40%	125%	50%
Individual targets	30%	110%	33%
Overall target achievement			110%

Actual STI: target STI (10%) x overall target achievement (110%) = 11% of annual base salary

In 2018, the achievement of corporate targets – which apply at all locations – was 70.65% (EBITDA 80.70%; ROCE 60.60%).

**Long-Term, Performance-Based Remuneration (Long Term Incentive Plan, LTIP)**

The Long Term Incentive Plan (LTIP) is a long-term, performance-based remuneration element aimed at ensuring a sustainable increase in enterprise value, an alignment of interests between plan participants and shareholders, and the retention of management with the company. The LTIP is open to members of the Executive Committee and management as well as to employees selected annually by the Board of Directors and Executive Committee whose contribution has a substantial influence on Siegfried’s long-term development. The LTIP therefore links a portion of the Executive Committee’s and management’s performance-based remuneration to the long-term development of the Group.

Every year, as part of their total remuneration package, plan participants are granted a fixed number of Performance Share Units (PSUs); the number of PSUs is separately defined for each individual plan member by the Board of Directors. Each PSU is a non-binding entitlement to a maximum of two Siegfried shares depending on the company evolving satisfactorily and on the achievement of pre-defined targets during the three-year performance period. Where applicable, a transfer of shares takes place after a three-year vesting period (three-year period starting on the date of the actual grant of the PSUs and ending on the same day three calendar years later).

For the purposes of Siegfried’s LTIP, long-term growth in enterprise value is gauged according to the compound annual growth rate (CAGR) of the capital market KPI “total shareholder return” (TSR) and the operational KPIs EBITDA and ROCE.

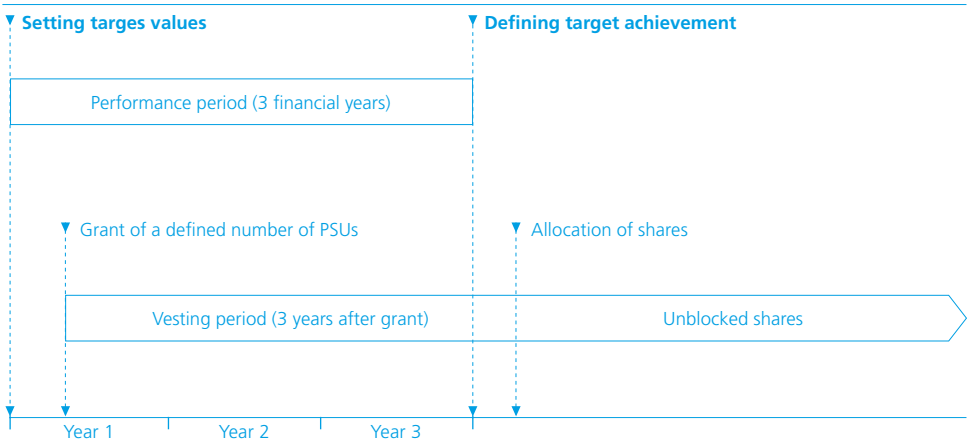
The Board of Directors has set an 8% annual increase in share value as its long-term TSR target value (100%). The Board of Directors defines EBITDA and ROCE target values annually for each new PSU grant, taking account of Siegfried Group’s five-year medium-term planning.

The number of shares transferred per PSU to the plan participant at the end of the three-year vesting period depends on the achievement level (performance factor) for TSR CAGR target values and operational targets set by the Board for the relevant period.

The performance factor may have a value between 0 and 2. If targets are reached (100% achievement), the performance factor is given a value of 1 and the plan participant receives one (1) share per PSU. If targets are exceeded, the plan participant may receive a maximum of two (2) shares per PSU. The value of shares allocated at the end of the vesting period is determined according to the market price at the time of allocation. If the minimum targets are not reached, the PSUs lapse without compensation.

Furthermore, shares may only be transferred following the three-year vesting period provided the plan participant has a valid employment relationship with the company (the point in time at which notice of contract termination is given, not the date on which the contract ends, is the relevant criterion here).

In order to ensure a sustainable increase in enterprise value and an alignment of interests between the Executive Committee/management and Siegfried’s shareholders, LTIP participants must meet certain equity participation requirements. Participants must thus hold a certain number of Siegfried shares for the duration of their participation in the plan. The number of shares to be held is twice the number of PSUs granted under the LTIP at the last grant date. New employees joining the plan must meet these equity participation requirements within a defined period (maximum three years) by using their own funds to invest in Siegfried shares.



KPIs	Key performance indicator and definition	Setting target values	Target value	Weighting
Capital market KPI	CAGR of total shareholder return (TSR) over the three-year performance period		TSR CAGR of 8% (minimum level: 4%, maximum level: 12%)	70%
	Cumulative EBITDA over a given three-year performance period	The Board of Directors reviews and sets target values annually for each new PSU grant	Set annually, taking into account the company's medium-term planning	15%
Operational KPI	ROCE of the last year in the three-year performance period		Set annually, taking into account the company's medium-term planning	15%

In March 2018, shares for the performance period 2015–2017 were allocated. Target achievement (and hence the performance factor) for the 2015–2017 performance period was 168.9%. The detailed breakdown of target achievement was as follows: TSR CAGR: 200%, EBITDA: 192.8%, and ROCE: 0%. 1.689 shares were thus allocated per PSU. On 16.03.2018, based on a total of 25 409 PSUs originally granted, 31 988 shares were transferred to Siegfried's Executive Committee and upper and middle management. During the vesting period, 5781 PSUs lapsed without compensation due to participants exiting the plan and 331 PSUs had, as per internal regulations, been transferred early in the form of shares on the relevant employee's exit date (due to retirement or redundancy).

	Number of granted PSUs 2015 <sup>1</sup>	Number of allocated shares 2018 <sup>3,4</sup>
CEO	3 600	6 080
Executive Management	8 250	9 962
Senior Management	6 500	8 057
Management	5 952	6 417
Discretionary Group <sup>2</sup>	1 107	1 472
<b>Total</b>	<b>25 409</b>	<b>31 988</b>

<sup>1</sup> Includes PSUs that lapsed due to exits during the vesting period or PSUs that, as per internal regulations, were converted into shares on the relevant exit date due to retirement/redundancy.  
<sup>2</sup> Each year, the Board of Directors and Executive Management at their discretion jointly nominate staff members below management level to participate in the plan.  
<sup>3</sup> Number of transferred shares based on outstanding PSUs at the time of transfer.  
<sup>4</sup> Excludes 547 shares for participants at the Nantong site, who received an equivalent cash amount instead of shares due to regulatory restrictions

The following table provides an overview of granted and outstanding entitlements (PSUs) from the LTIP.

Overview of Outstanding PSUs

	Grant 2016 (Vesting period 2016–2019)	Grant 2017 (Vesting period 2017–2020)	Grant 2018 (Vesting period 2018–2021)
<b>Number of PSUs granted</b>	<b>29 757</b>	<b>35 180</b>	<b>31 246</b>
CEO	3 600	3 600	2 800
Executive Committee	8 400	9 177	7 225
Management	17 757	22 403	21 221
<b>Outstanding PSUs as per December 31, 2018</b>	<b>21 695</b>	<b>29 236</b>	<b>29 244</b>
CEO	3 600	3 600	2 800
Executive Committee	6 050	8 277	7 225
Management	12 045	17 359	19 219
<b>Lapsed PSUs as per December 31, 2018<sup>1</sup></b>	<b>7 188</b>	<b>5 458</b>	<b>1 867</b>
CEO	0	0	0
Executive Committee	2 350	900	0
Management	4 838	4 558	1 867
<b>Shares granted from PSUs as per December 31, 2018<sup>2</sup></b>	<b>874</b>	<b>486</b>	<b>135</b>
CEO	0	0	0
Executive Committee	0	0	0
Management	874	486	135

<sup>1</sup> Entitlement lapsed due to termination of employment relationship by employee or Siegfried.  
<sup>2</sup> Pro rata share transfer based on 100% target achievement due to termination of employment on retirement/redundancy.

Additional Benefits

Additional benefits include, first and foremost, retirement pensions and insurance to cover staff in the event of loss of earnings in the event of disability, death, accident, or illness. The form and amount of these additional benefits are governed by local market conditions and legislation.

In Switzerland and abroad, Siegfried operates a number of insurance plans that cover staff against the risks of death, disability, and old age.

In Switzerland, a supplementary defined-contribution pension plan is available for individuals whose income exceeds a given threshold. All members of the Executive Committee and some members of Senior Management are enrolled in this pension plan.

Both employee and employer contribute to the aforementioned pension plans. The assets in these segregated plans are held in separate foundations or by insurers and cannot flow back to the employer.

Moreover, accrual-funded direct commitments are in place in Germany; these are recognized on the balance sheet as pension liabilities. The relevant accruals are revalued each year. Plans also exist for anniversaries or other benefits linked to years of service.

Employee Share Purchase Plan (ESPP)

The Employee Share Purchase Plan (ESPP) allows employees who are not eligible to participate in the LTIP to purchase Siegfried shares at a discounted price. Shares may be purchased once a year (in April) at a discount of 30% versus the defined purchase price and are subject to a restriction period of three years from the date of purchase. The defined purchase price is equivalent to the average closing price of the Siegfried share on the SIX Swiss Exchange over the twelve months' stock trading days prior to the purchase. In principle, employees may invest up to 10% of their annual base salary in the ESPP. The ESPP has been introduced

at all locations where the local legal and tax frameworks allow it.

In addition to regular ESPP participants, new members of management may participate, to a limited extent, in the ESPP in order to acquire the number of shares needed to satisfy the LTIP equity participation requirement. Participation over and above this is not permitted, however.

	Number of participants	Number of purchased/ issued shares	Discounted purchase price per share	End of restriction period
2018	270	9 751	CHF 207.68	30.04.2021
2017	315	9 783	CHF 140.15	30.04.2020
2016	228	8 431	CHF 122.61	30.04.2019

4. Remuneration of Board of Directors

The remuneration model for members of the Board of Directors is geared to recruiting and retaining experienced and motivated individuals to carry out the duties of a Board member. Board members' remuneration comprises a fixed cash component and a share-based component (fixed number of shares). By incentivizing Board members to further the success of the company and increase enterprise value over the long term, the share component ensures that the interests of Siegfried's directors and shareholders are aligned. Members of the Board of Directors do not receive any performance-based remuneration.

The cash component consists of a base fee for the Board mandate, and fees for individual functions as Vice-Chairman of the Board of Directors or as Chair of a Committee of the Board. From the 2017/2018 term of office, a fee for participating in a Board committee was implemented (details below). In addition, for each term of office, Board members receive an expense allowance covering all incidental expenses relating to their professional duties.

Shares are granted at the beginning of a Board member's term of office following the approval of directors' remuneration by the Ordinary General Meeting. From the date of grant, these shares are subject to a three-year restriction period. Should a Board member give notice during the current term of office, he/she undertakes to transfer the shares back to Siegfried on a pro rata basis.

The following table shows remuneration rates for the 2018/2019 term of office:

Base Fee	Cash component	Lump sum expense allowance	Number of restricted shares	Actual number of restricted Shares allocated for 2018/2019 term of office <sup>1</sup>
Chairman of the Board of Directors	140 000	20 000	900	738
Vice-chairman of the Board of Directors	70 000	10 000	450	369
Other members of the Board of Directors	50 000	10 000	450	369
Fees for individual functions				
Chair of Committee	10 000			
Member of Committtee	5 000			

<sup>1</sup> Number of shares allocated was reduced in order to meet approved maximum total for overall remuneration of the Board of Directors for the 2018/2019 term of office.

The following tables show remuneration paid/allocated in the reporting year and the prior year.

Remuneration of the Board of Directors is shown by financial year. The share component of the remuneration is valued according to Swiss GAAP FER.

Remuneration Paid to Board of Directors in 2018 Reporting Year (Audited)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration 2018 <sup>1</sup>	Employer contributions to social security <sup>2</sup>	Total remuneration financial year 2018
Andreas Casutt (Chairman)	140 000	20 000	160 000	251 021	19 536	430 557
Martin Schmid (Vice-Chairman)	80 000	10 000	90 000	125 510	10 791	226 301
Colin Bond (Member; Chair of Audit Committee)	60 000	10 000	70 000	125 510	9 639	205 149
Wolfram Carius <sup>3</sup> (Member; Chair of Strategy Committee)	60 000	10 000	70 000	125 510		195 510
Reto Garzetti (Member; Chair of Remuneration Committee)	70 000	10 000	80 000	125 510	10 221	215 731
Ulla Schmidt <sup>3</sup> (Member)	60 000	10 000	70 000	125 510		195 510
<b>Total (serving members on December 31, 2018)</b>	<b>470 000</b>	<b>70 000</b>	<b>540 000</b>	<b>878 572</b>	<b>50 187</b>	<b>1 468 759</b>

The remuneration figures shown in the table are gross amounts and were booked according to the accrual principle (4/12 for the 2017/2018 term of office; 8/12 for the 2018/2019 term of office).

<sup>1</sup> Fixed number of shares as part of Board of Directors remuneration; value per share as approved by the General Meeting (CHF 284 for the 2017/2018 term of office, CHF 345.50 for the 2018/2019 term of office).

<sup>2</sup> Incl. social security deductions on the tax value of the pro rata share component of the fixed Board of Directors remuneration (allocated in 2018) for the 2018/2019 term of office.

<sup>3</sup> Exempted from Swiss social security obligation (fulfills social security obligations in principal country of employment).

In 2018, no remuneration was paid to the members of the Board of Directors other than that presented above. During the 2018/2019 term of office, Board of Directors remuneration is projected to total CHF 1.48 million; the figure approved at the General Meeting was CHF 1.50 million.

Remuneration Paid to Board of Directors for 2018/2019 Term of Office (Projection until end of 2018/2019 Term of Office)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration term of office <sup>1</sup>	Employer contributions to social security <sup>2</sup>	Total remuneration term of office 2018/2019
Andreas Casutt (Chairman)	140 000	20 000	160 000	254 979	20 087	435 066
Martin Schmid (Vice-Chairman)	80 000	10 000	90 000	127 490	11 051	228 541
Colin Bond (Member; Chair of Audit Committee)	60 000	10 000	70 000	127 490	9 925	207 415
Wolfram Carius <sup>3</sup> (Member; Chair of Strategy Committee)	60 000	10 000	70 000	127 490		197 490
Reto Garzetti (Member; Chair of Remuneration Committee)	70 000	10 000	80 000	127 490	10 487	217 977
Ulla Schmidt <sup>3</sup> (Member)	60 000	10 000	70 000	127 490		197 490
<b>Total (term of office 2018/2019, serving members)<sup>4</sup></b>	<b>470 000</b>	<b>70 000</b>	<b>540 000</b>	<b>892 427</b>	<b>51 550</b>	<b>1 483 977</b>
<b>Approved by the General Meeting for 2018/2019 term of office</b>						<b>1 500 000</b>

The remuneration figures shown in the table apply to the 2018/2019 term of office (May 2018–April 2019).

<sup>1</sup> Fixed number of shares as part of Board of Directors remuneration; Value per share as approved by the General Meeting 2018 (CHF 345.50).

<sup>2</sup> Incl. social security deductions on the tax value of the share component of the fixed Board of Directors remuneration (allocated in 2018) for the 2018/2019 term of office.

<sup>3</sup> Exempted from Swiss social security obligation (fulfills social security obligations in principal country of employment).

<sup>4</sup> Projected total until the end of the 2018/2019 term of office.

Remuneration Paid to Board of Directors in 2017 Reporting Year (Audited)

Board of Directors	Cash remuneration	Lump sum expense allowance	Total cash	Share-based remuneration 2017 <sup>1</sup>	Employer contributions to social security <sup>2</sup>	Total remuneration financial year 2017
Andreas Casutt (Chairman)	146 666	20 000	166 666	223 203	18 524	408 393
Martin Schmid (Vice-Chairman)	73 333	10 000	83 333	111 601	9 680	204 614
Colin Bond (Member; Chair of Audit Committee)	66 667	10 000	76 667	111 601	9 311	197 579
Wolfram Carius <sup>3</sup> (Member; Chair of Strategy Committee)	66 667	10 000	76 667	111 601		188 268
Reto Garzetti (Member; Chair of Remuneration Committee)	66 667	10 000	76 667	111 601	9 331	197 599
Ulla Schmidt <sup>3</sup> (Member)	60 000	10 000	70 000	111 601		181 601
<b>Total (serving members on December 31, 2017)</b>	<b>480 000</b>	<b>70 000</b>	<b>550 000</b>	<b>781 209</b>	<b>46 846</b>	<b>1 378 055</b>
Thomas Villiger <sup>4</sup> (Vice-Chairman; Chair of Remuneration Committee)	33 333	3 333	36 666	30 567	2 939	70 172
<b>Total (on December 31, 2017 including former members)</b>	<b>513 333</b>	<b>73 333</b>	<b>586 666</b>	<b>811 776</b>	<b>49 785</b>	<b>1 448 227</b>

The remuneration figures shown in the table are gross amounts and were booked according to the accrual principle (4/12 for the 2016/2017 term of office; 8/12 for the 2017/2018 term of office).

<sup>1</sup> Fixed number of shares as part of Board of Directors remuneration; valued as per closing share price on date of allocation.

<sup>2</sup> Incl. social security deductions on the tax value of the pro rata share component of the fixed Board of Directors remuneration (allocated in 2017) for the 2017/2018 term.

<sup>3</sup> Exempted from Swiss social security obligation (fulfills social security obligations in principal country of employment).

<sup>4</sup> Thomas Villiger did not put himself up for re-election as member of the Siegfried Board of Directors for the 2017/2018 term of office



## 5. Remuneration of Executive Committee

The Executive Committee’s remuneration is comprised of a fixed base salary in line with the market, a short-term, performance-based component (STI), a long-term, performance-based component (LTI), and additional benefits. The overall value of remuneration packages as well as individual remuneration components are regularly benchmarked and, if necessary, adjusted (see also section 2). The following table summarizes the Executive Committee’s remuneration in 2018 and indicates the highest individual remuneration for services rendered in the reporting year (CEO). The remuneration is broken down into the components listed above: fixed base salary, short and long-term, performance-based remuneration, social security expenditure and pension plan expenditure. The performance-based components STI and LTI are explained in detail below. In 2018, the ratio of fixed to performance-based components in the CEO’s remuneration was again approximately one-third to two-thirds (2017: 32%/68%) while the ratio for the Executive Committee averaged 41% to 59% (2017: 40%/60%).

### Remuneration Paid to CEO and Executive Committee in 2018 Reporting Year (Audited)

CEO and Executive Committee	Fixed remuneration in cash <sup>1</sup>	Short-term, performance-based remuneration (STI) in cash <sup>2</sup>	Total cash payments	Long-term, performance-based remuneration (LTI) in PSUs <sup>3</sup>	Employer contributions to social security <sup>4</sup>	Employer contributions to pension fund	Total remuneration 2018 <sup>5</sup>
Highest individual remuneration:							
Rudolf Hanco	570 000	305 663	875 663	883 372	124 507	95 635	1 979 177
Other Executive Committee members	2 088 239	668 486	2 756 725	2 279 416	348 899	263 170	5 648 210
<b>Total (at December 31, 2018)</b>	<b>2 658 239</b>	<b>974 149</b>	<b>3 632 388</b>	<b>3 162 788</b>	<b>473 406</b>	<b>358 805</b>	<b>7 627 387</b>

The remuneration figures shown in the table are gross and are based on the accrual principle.

<sup>1</sup> Includes employer contribution to share purchase by R. Suter (ESPP) for purposes of meeting LTIP investment requirements.

<sup>2</sup> To be paid out in April 2019 after approval at General Meeting.

<sup>3</sup> Includes PSUs granted in 2018 for plan period 2018–2020; PSUs are valued as per external consultant ALGOFIN (CHF 315.49 per PSU)

<sup>4</sup> Includes an assumed 7.7% social insurance contribution on both the 2018 STI and PSUs granted in 2018.

<sup>5</sup> Doesn’t include fringe benefits (REKA money, child and family allowances, employer contributions to BU/NBU) in the amount of approximately CHF 20 000.

In 2018, no remuneration was paid to the Executive Committee members other than that presented above. Fixed remuneration paid in 2018 (CHF 3.22 million) did not exceed the CHF 3.7 million approved at the General Meeting 2017.

### Overview of 2018 STI Calculations

CEO and Executive Committee	Target STI as % of fixed base salary	Target STI in CHF	Actual 2018 STI in CHF <sup>1,2,3</sup>	Actual STI as % of target STI	Actual 2018 STI amount incl. social security deductions <sup>3</sup> , to be approved at the General Meeting
CEO	75%	427 500	305 663	71.50%	329 199
Other Executive Committee members	40%–50%	868 352	668 486	76.98%	719 959
<b>Total</b>		<b>1 295 852</b>	<b>974 149</b>	<b>75.17%</b>	<b>1 049 158</b>

<sup>1</sup> To be paid out in April 2019 after approval at General Meeting.

<sup>2</sup> Assuming 7.7% social security contributions.

<sup>3</sup> Target weighting – CEO: corporate targets (EBITDA, ROCE): 80%, individual targets: 20%; other Executive Committee members: corporate targets (EBITDA, ROCE): 50%, functional targets (e.g. safety, NWC, manufacturing efficiency): 30%, individual targets: 20%.

The value of the PSUs granted to the CEO and other members of the Executive Committee for the three-year performance period January 1, 2018–December 31, 2020 under the LTIP is reported once and in full as Executive Committee remuneration in the reporting year (2018). In 2018, the CEO and the Executive Committee were granted a total of 10 025 PSUs. At the time of grant, an external valuation expert used best practice methods to determine the fair value of one PSU as CHF 315.49. This fair value at the time of grant is the amount based on which remuneration in the reporting year and relevant social insurance contributions due are calculated. In the event of a share transfer, the actual income received at the end of the vesting period may deviate from the fair value assigned to the PSUs on grant depending on LTIP target achievement (the performance factor) and the share price at the time of transfer.

In order to ensure full transparency, the PSUs allocated in the reporting year are shown as totals in the following table of remuneration paid to the Executive Committee. In the Consolidated Financial Statements, however, LTIP expenses are distributed over the three-year performance period.

### PSUs granted to CEO and Executive Committee in 2018 Reporting Year

Plan period	Executive Committee	PSU grant date	Performance period	Vesting period	Vesting date	Value at 100% target achievement			Potential target achievement
						PSUs allocated	Value of allocated PSUs <sup>1</sup>	Social insurance contributions on value of PSUs <sup>2</sup>	
2018–2020	CEO	19.03.2018	01.01.2018–31.12.2020	19.03.2018–19.03.2021	19.03.2021	2 800	883 372	68 020	0%–200%
	Other members of the Executive Committee					7 225	2 279 416	175 515	
<b>Total</b>						<b>10 025</b>	<b>3 162 788</b>	<b>243 535</b>	
<b>Total cost to enterprise</b>						<b>3 406 323</b>			
<b>Approved sum by General Meeting<sup>3</sup></b>						<b>3 410 000</b>			

<sup>1</sup> PSUs are valued as per external consultant ALGOFIN (CHF 315.49 per PSU).

<sup>2</sup> Includes an assumed 7.7% social insurance contribution.

<sup>3</sup> Approval of PSUs allocated in the financial year 2018 for the performance period 2018–2020 at the General Meeting 2018.

### Remuneration Paid to CEO and Executive Committee in 2017 Reporting Year (Audited)

CEO and Executive Committee	Fixed remuneration in cash	Short-term, performance-based remuneration (STI) in cash <sup>1</sup>	Total cash payments	Long-term, performance-based remuneration (LTI) in PSUs <sup>2</sup>	Employer contributions to social security <sup>3</sup>	Employer contributions to pension fund	Total remuneration 2017 <sup>4</sup>
Highest individual remuneration:							
Rudolf Hanco	570 000	436 991	1 006 991	761 832	116 868	94 596	1 980 287
Other Executive Committee members <sup>5</sup>	1 981 846	921 901	2 903 747	1 942 037	316 672	273 036	5 435 492
<b>Total (at December 31, 2017)</b>	<b>2 551 846</b>	<b>1 358 892</b>	<b>3 910 738</b>	<b>2 703 869</b>	<b>433 540</b>	<b>367 632</b>	<b>7 415 779</b>

The remuneration figures shown in the table are gross and are based on the accrual principle.

<sup>1</sup> To be paid out in April 2018 after approval at General Meeting.

<sup>2</sup> Includes PSUs granted in 2017 for plan period 2017–2019; PSUs are valued as per external consultant ALGOFIN (CHF 211.62 per PSU).

<sup>3</sup> Includes an assumed 7% social insurance contribution on both the 2017 STI and PSUs granted in 2017.

<sup>4</sup> Doesn’t include fringe benefits (REKA money, child and family allowances, employer contributions to BU/NBU) in the amount of approximately CHF 24 000.

<sup>5</sup> Michael Hüsler left the company on August 20, 2017; remuneration reduced pro rata (exception LTIP: no pro rata reduction; however, granted PSUs lapse due to exit).

## 6. Shareholdings of Board of Directors and Executive Committee at End of Reporting Year

Shareholdings of Board Members  
The following table lists shareholdings of Board members and affiliated persons.

	December 31, 2018		December 31, 2017	
	Total shares	of which restricted	Total shares	of which restricted
Board of Directors				
Andreas Casutt (Chairman)	18 738	2 594	18 000	2 856
Martin Schmid (Vice-Chairman)	1 297	1 297	928	928
Colin Bond (Member)	2 797	1 297	2 428	1 428
Wolfram Carius (Member)	2 297	1 297	1 928	1 428
Reto Garzetti (Member)	7 831	1 297	7 462	1 428
Ulla Schmidt (Member)	1 297	1 297	928	928
<b>Total</b>	<b>34 257</b>	<b>9 079</b>	<b>31 674</b>	<b>8 996</b>
<b>In % of share capital</b>	<b>0.80%</b>	<b>0.21%</b>	<b>0.75%</b>	<b>0.21%</b>

Shareholdings of Executive Committee Members  
The following table lists shareholdings of Executive Committee members and affiliated persons.

	December 31, 2018		December 31, 2017	
	Total shares	of which restricted	Total shares	of which restricted
Executive Committee				
Rudolf Hanco (CEO)	86 080	0	75 000	0
Reto Suter (CFO)	4 000	3 500	500	0
René Imwinkelried (Global Head Technical Operations)	12 095	0	9 478	0
Arnoud Middel (Global Head HR)	5 026	0	3 000	0
Marianne Späne (Global Head BD & Sales)	22 531	0	18 576	0
Wolfgang Wienand (Chief Scientific & Strategy Officer)	14 208	0	10 844	0
<b>Total</b>	<b>143 940</b>	<b>3 500</b>	<b>117 398</b>	<b>0</b>
<b>In % of share capital</b>	<b>3.38%</b>	<b>0.08%</b>	<b>2.82%</b>	<b>0.00%</b>

## 7. Contractual Agreements, Loans, Credits, and Additional Contributions

The employment contracts of Executive Committee members and the CEO are open-ended and provide for a notice period of six months. Board mandates are not subject to notice periods and terminate ordinarily at the end of the one-year term of office. There are no contractual agreements or undertakings in place with respect to severance payments or special clauses for members of either the Executive Committee or Board of Directors.

The Long Term Incentive Plan, which entered into effect on January 1, 2014 (see section 4), stipulates that

a) In the event of a change of control of Siegfried Holding AG, plan participants will, on the date of the change of control, receive a pro-rated number of shares for all PSUs granted for ongoing vesting periods. The number of shares to be distributed per PSU is calculated on the basis of a valuation method to be determined by the Board of Directors.

b) In the event of a takeover of Siegfried Holding AG which is not endorsed by the Board of Directors, shares are distributed to plan participants pro rata and on the basis of 100% target achievement as per the date of change of control for all PSUs of an ongoing vesting period. The pro rata entitlement is calculated from the grant date of the PSUs until the date of the change of control.

As of December 31, 2018, Siegfried Holding AG and its Group companies do not have any outstanding securities, loans, advances or credits to members of the Board of Directors or the Executive Committee of Siegfried Holding AG. Further, in the reporting year, no securities, loans, advances or credits were granted at non-market rates to persons affiliated with current members of the Executive Committee or Board of Directors or to former members of the Executive Committee or Board of Directors; nor are any such commitments outstanding as at December 31, 2018.

# Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

## Report of the Statutory Auditor on the Remuneration Report

We have audited the accompanying remuneration report (charts on page 38 and 39 and page 40 section 7) of Siegfried Holding AG for the year ended 31 December 2018.

**Board of Directors' responsibility**  
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

**Auditor's responsibility**  
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical require-

ments and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**  
In our opinion, the remuneration report of Siegfried Holding AG for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Thomas Illi  
Audit Expert  
Auditor in charge

Basel, 1 March 2019



Andreas Kägi  
Audit Expert





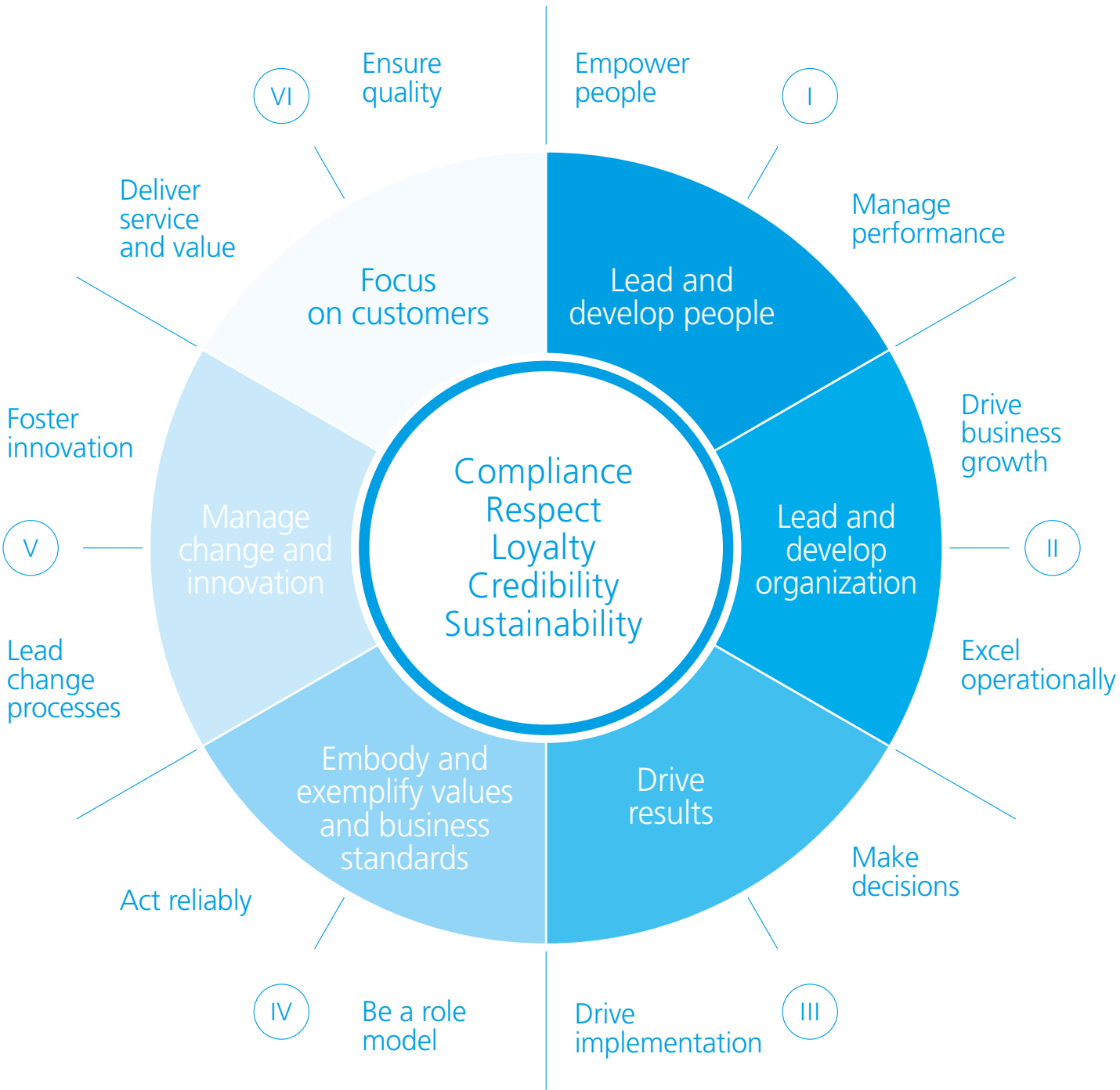
# Sustainability Report

Within the range of relevant sustainability issues, the Siegfried Group focuses on compliance and quality, on Safety, Health and Environmental Protection (SHE), and on its responsibility as an employer.

## 1. Sustainability at Siegfried

In the life sciences industry sustainability is a key issue. The activities of each individual market participant are monitored critically by the authorities, customers and consumers. The energy-intensive chemical production processes require special (precautionary) measures for employees, society and the environment. Because our products are used in the pharmaceutical industry, they have to meet the highest product safety standards so as not to endanger anybody's health. This is why sustainability at Siegfried is a fundamental part of the Group's corporate strategy (see Corporate Values in the Management Model on this page) and it is integrated into our daily work. We regard the consistent integration of sustainability into our business model as an investment in the future, as only those companies that act with responsibility and are socially accepted will continue to be economically successful. Corporate growth must be sustainable by showing responsibility toward society and the environment.

For Siegfried, sustainability is a key element concerning competition and reputation, and it thus plays a highly significant economic role. We acknowledge the concerns and needs of all stakeholders concerning transparency and honesty and take them seriously. The Board of Directors and the Executive Committee play an active role in reporting activities and are open to improvements that will support a high standard of quality. René Imwinkelried (Head Global Technical Operations) is the ExeCom member responsible for issues concerning ESG (Environmental, Social, Governance). Siegfried addresses sustainability issues in various important key guidelines and documents.



### 1.1 Materiality Analysis GRI 102-46

Within the reporting for relevant topics, in a multilevel process through a materiality workshop in 2016, Siegfried identified the following topics as being central and consequently prioritized them for this report:

- Product Safety GRI 102-47
- Waste and Contamination
- Fair Working Conditions
- Sustainability in the Supply Chain
- Occupational Health and Safety
- Local Population

- Energy and Climate Change
- Political Representation of Interest
- Corruption and anti-competitive conduct.

The materiality analysis is based on an environmental analysis which identified all relevant topics for Siegfried. In a next step, the topics were prioritized with the relevant divisions in a materiality workshop according to two perspectives: relevance for Siegfried and relevance for the stakeholders. The two per-

spectives finally represent the axes of our materiality matrix (see illustration on page 42). The materiality matrix reflects the prioritized sustainability-relevant topics within the rectangle on the top right which form the basis of Siegfried's sustainability report and strategy. Sustainability is thus seen as a holistic approach and put into practice along the whole value chain. The reporting follows the standards of the Global Reporting Initiative (GRI).

### 1.2 Stakeholder Dialog GRI 102-42 GRI 102-43

Siegfried attaches great importance to regular contact and ongoing dialog with its stakeholders at both the local and the global level. We consider the close involvement of our stakeholders to be an important element in our corporate behavior and we thus pursue the goal of creating a better mutual understanding and a basis of trust to enhance our partnership regarding Siegfried's work



GRI 102–40

GRI 102–42

GRI 102–43

GRI 102–44

Siegfried in Dialog

Media	Topics: News and results	Platforms: Media conferences, media releases, direct contact with CorpCom
Capital Market	Topics: News and results, business model/offering	Platforms: Financial analysts’ conference, direct contact with CEO and CFO, roadshows
Customers	Topics: Business model/offering, technological innovation, sustainability	Platforms: Meetings, visits, symposiums, trade fairs
Local Stakeholder	Topics: Jobs, safety and environmental protection	Platforms: Direct contact with site managers, sponsorship
Employees	Topics: Working conditions and course of business, safety and environmental protection	Platforms: Information/townhall meetings, “Insight” employee magazine, intranet, internet, internal releases, information cascade via down line management
Trade Unions	Topics: Working conditions	Platforms: Information meetings with HR, direct contacts with line management
Supervisory and Regulatory Authorities	Topics: Compliance, safety and environmental protection	Platforms: Direct contacts, audits, training events, information letters
Political Decision Makers	Topics: Economic framework and specific concerns of the company	Platforms: Company visits, seats on boards of professional associations (chambers of commerce, etc.), involvement of site managers
Suppliers	Topics: Order security	Platforms: Visits, supplier audits, trade fairs
Science	Topics: Technological innovation and youth development	Platforms: Direct contact with universities and advanced technical colleges, symposiums
Associations	Topics: Economic framework and specific concerns of the company	Platforms: Seats on management bodies, exchange of experience groups

and products. The aim is to closely link the stakeholders’ interests with the company’s business strategy and to recognize trends early so that they can be incorporated into the strategy process.

We use a stakeholder map for a targeted and systematic stakeholder dialog. The categories of people listed therein are not complete. We have defined them based on their relevance and possible influence on our company. Regular stakeholder mapping further allows us to recognize attitudes and interests in order to adjust topics, messages and communication platforms to these.

Stakeholder activities include targeted dialogs on the local, national and international levels, involvement in committees and professional panels, comprehensive information programs, and participation in international initiatives and collaborations. Global stakeholder engagement is therefore of great importance. Stakeholder dialog includes both communication and active interaction with individual target groups as well as issue-related multi-stakeholder events. We want to understand the different perspectives held by our stakeholders and to address them effectively.

### 1.3 Leadership and Values at Siegfried

The Board of Directors and the management of the company are the highest responsible bodies for the implementation of and adherence to all sustainability-relevant policies and guidelines, especially the Code of Business Conduct. Responsible for the implementation of the Compliance and Quality Standards as well as for the area of Safety, Health and the Environment (SHE) is the Chief Compliance Committee or, respectively, the Chief Compliance Officer.

In 2016, Siegfried rolled out new guidelines for all sites concerning “Leadership and Values”. The corporate values of compliance, respect, loyalty, credibility and sustainability represent the core of the leadership model. By creating a shared basis for action and bringing life to corporate culture beyond national borders, these five core values form the basis that connects Siegfried with all its stakeholders. They provide clarity and commitment to our dealings with each other and form a basis for understanding

cultural differences and for our entrepreneurial success. These five core values help to translate our strategy and our brand into concrete behavior and actions and they should serve as an internal compass.

The management principles were worked out and defined jointly with the managers of all sites. To this end, workshops were held at all sites in 2016, through which the topic was presented interactively to the staff. Thereby, the focus was placed on the individual characteristics, which combined being able to build a diverse, high-performance, dynamic team and, in this way, to advance the success of the company. The management model is intensified annually at each site with a training program in which practical content is imparted in targeted learning sequences and directly applied to daily working life. The program is to be systematically extended in the future, so that all our sites achieve the same quality standard.

The structural embedding of sustainable behavior in the company is complemented by various memberships in professional associations and organizations connected with sustainability, especially membership in the “scienceindustries” business association.

In the context of the external perception of our corporate social responsibility, in 2017 Siegfried decided that all sites would undergo a Corporate Social Responsibility (CSR) assessment. EcoVadis was chosen as our partner. The analysis encompasses 21 criteria from the four thematic areas of the environment, social issues, ethics and sustainable procurement. The method of the CSR assessment by EcoVadis is based on international standards, such as the Conventions of the International Labor Organization (ILO), the ten principles of the UN Global Compact, the GRI standards, and the ISO 26000 standards. The three sites St. Vulbas, Minden and Zofingen achieved the rating “GOLD”, the remaining sites were awarded “SILVER”.

### 1.4 Legal Compliance

Siegfried’s Board of Directors and company management are firmly convinced that strict compliance with all applicable laws and refusal of any form of unfair and unethical business behavior should be essential and central elements of Siegfried’s business con-

duct. Therefore, we strive to meet the high standards concerning performance and corporate responsibility in all our business activities. Siegfried’s employees and suppliers are notified of the applicable legal regulations and they undertake to act in compliance with the law, ethically and responsibly.

#### Reference Framework

Siegfried’s Code of Business Conduct, available in the four company languages German, English, French and Chinese, provides employees and suppliers a frame of reference to understand and strengthen the awareness of the most important critical legal regulations. In particular, it addresses the legal fields of bribery and corruption, cartel and competition law, insider trading, fraud and other offenses against property as well as data integrity, confidentiality and data protection, conflicts of interest, trade controls and bans, as well as discrimination and harassment. The Code can be accessed on our website ([www.siegfried.ch](http://www.siegfried.ch)).

The Code is the basis for the Legal Compliance program implemented at all Siegfried sites in the last few years. The purpose of this program, on the one hand, is the sensitization and harmonization of the understanding of the lawful and ethical conduct of business activities within Siegfried and, on the other hand, the creation of measures for efficient and effective prevention of violations of the law and their damaging consequences. The Legal Compliance Office coordinates the implementation and communication of the Legal Compliance program and investigates and penalizes possible violations. Questions about the program regarding compliance with the legal provisions and potential violations of the Code of Conduct can be reported by Siegfried employees to the Legal Compliance Office via an external reporting site in the four company languages.

#### Corruption and Anti-competitive Behavior

Siegfried prohibits all forms of corrupt business behavior, such as the active and passive bribery of public and private officials and decision-makers. All Siegfried employees and suppliers must adhere to all applicable laws concerning bribery and corruption, in particular to the OECD Anti-Bribery Convention, the US Foreign Corruption Practices

Act 1977, the UK Bribery Act 2010, and the relevant provisions of national law, in particular the Swiss Criminal Code on bribery of public officials and the Federal Act against Unfair Competition in conjunction with Private Bribery, in their respective valid and current versions.

Furthermore, Siegfried prohibits its employees and suppliers from having any involvement in conduct in breach of applicable supranational and/or national laws that protect free and fair competition. Siegfried’s employees and suppliers must perform their activities for Siegfried within the boundaries of European competition law, of US antitrust law, of Chinese anti-monopoly law, as well as all other applicable competition regulations. Neither the Siegfried Group nor any of its companies has ever been involved in any administrative or legal proceedings regarding anti-competitive conduct or violations of cartel and monopoly law either during the year under review or in any other year of the company’s history.

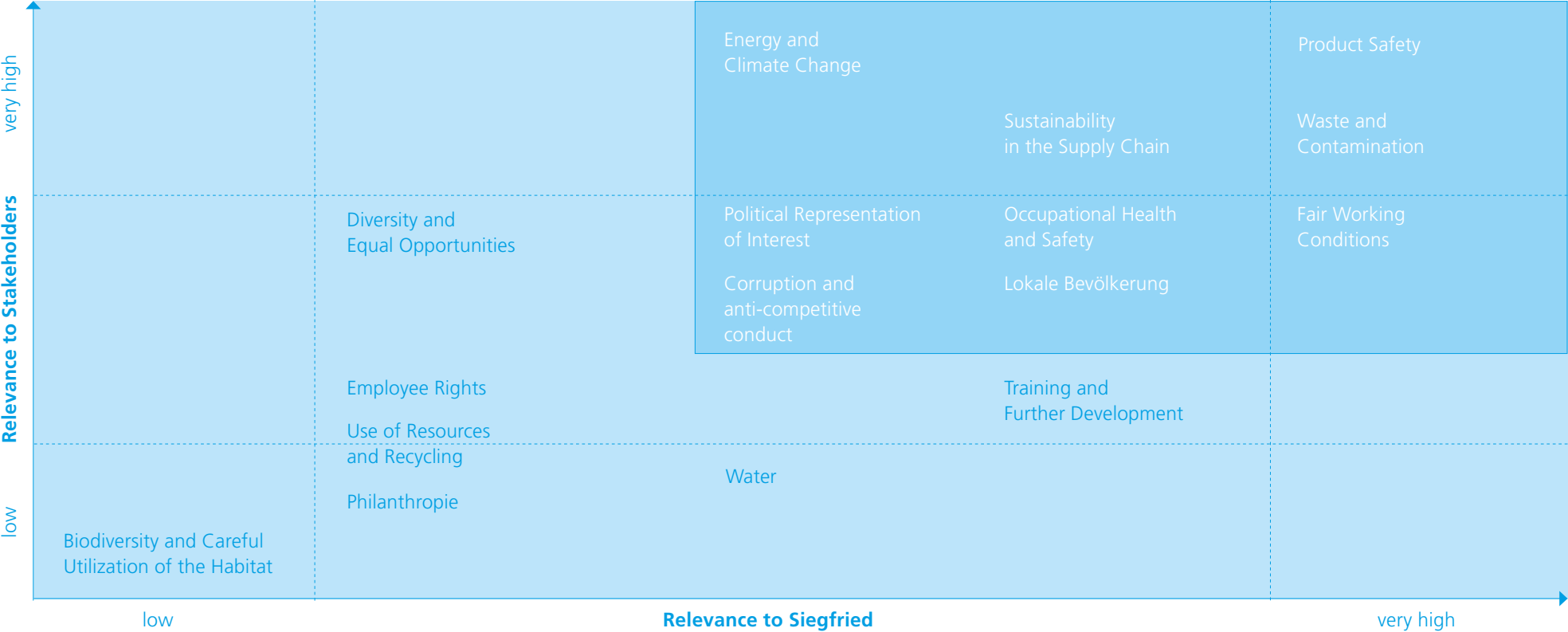
In 2018, additional legal compliance training was provided at all locations of the Siegfried Group, particularly on the topic of corruption and bribery. In addition, a number of focus projects were initiated, primarily in the areas of data protection, information security and labor law. These projects are currently in the implementation phase. Additional steps to combat corruption were taken in the area of supply management.

Group-wide, approximately a dozen cases of probable misconduct were reported to the Legal Compliance Office during the year under review and a number of internal proceedings were carried out.

#### Outlook

The Legal Compliance program will continue to be expanded and enhanced in 2019 according to the latest industry standards. In particular, the implementation of focus projects in the relevant legal areas and intensified risk analyses will be carried out within the medium term at all sites. Further topics are commissioning of and collaboration with third parties, especially the prevention of conflicts of interest, the further sensitizing of all executives and the training of all Siegfried employees regarding the reporting office.

## Materiality Matrix GRI 102–47



## 2. Quality Compliance and Sustainable Supply Chain

### 2.1 Quality Compliance and Product Safety

In the development and manufacture of active substances for the pharmaceutical industry, it is essential that the products do not pose a health risk due to contamination. Product safety must be guaranteed under all circumstances along the entire value chain so as not to endanger the patients who rely on Siegfried's products. To this end, Siegfried commits to quality-conscious corporate leadership and the constant improvement of all processes and activities. Important elements of this are, first and foremost, well-trained staff. It is important to ensure quality through validated and robust processes, storing and sending materials consistent with their requirements, preventing fakes, and certifying the quality of the purchased materials and services. Quality is therefore an important and necessary part of corporate policy and is reflected in daily work processes. Siegfried conducts its business activities responsibly and in conformity with the legal regulations of the countries in which we operate.

Siegfried established a comprehensive management system for quality compliance along the entire value chain. Siegfried's management system stipulates that we produce in accordance with cGMP standards, act responsibly in compliance with economic and environmental standards, and evaluate new technologies based on their contribution to sustainability. Both national and international standards and guidelines represent the benchmark for the further development of our systems, be it concerning environmental awareness, occupational safety or other socially relevant issues. Siegfried's management system is based on the process orientation of ISO 9001 for quality management and fully covers the following applicable international guidelines:

- Good manufacturing practice GMP (current Good Manufacturing Practice) [https://ec.europa.eu/health/human-use/quality\\_en](https://ec.europa.eu/health/human-use/quality_en)

- The guidelines of the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH), with which the regulatory authorities and the pharmaceutical industry bodies of America, Europe and Japan, and meanwhile also including the authorities of Switzerland, China, Taiwan, Brazil, South Korea and Singapore, define the standards in the pharmaceutical industry ([www.ich.org](http://www.ich.org))
- Guidelines of the World Health Organization (WHO) ([www.who.int](http://www.who.int))

Siegfried established an internal Compliance Committee (ComCom) responsible for worldwide compliance, standardization and harmonization along our value chain for active pharmaceutical ingredients and finished products. Under the leadership of the Chief Compliance Officer, the ComCom meets once a month to address topics with relevance to quality. It establishes targets, management systems, initiatives and measures of relevance to quality and adopts applicable guidelines for Siegfried. In its work, it follows international GMP standards while taking account of national standards in as far as they are of relevance for exporting our products, such as special standards issued by the US Food and Drug Administration, the European Union, etc.

By using a management system for quality compliance across the board, we manifest and support the ongoing consideration to the quality concerns of our internal and external customers. Our record of compliance covers many years and reflects our core competencies as well as the strong values from which our customers benefit from a partnership with Siegfried.

We control the relevance and applicability of our guidelines at regular intervals. At the end of 2018, 36 such provisions were in force. They relate mainly to aspects of quality, but also refer to the areas of finance, safety, health and the environment as well as communications and the conduct of the employees (Code of Business Conduct).

#### Quality Requirements and Quality Certificates

Triggered by a rising quality awareness and the consequently higher demands made on quality by the customers, but also by accidents, counterfeits and adulteration, the number of inspections and certificates generally required from the pharmaceutical industry is growing steadily. Today, in addition

to normal analysis certificates, which have long been required, regarding appearance, content, purity, physical characteristics and the production of our products conforming to GMP, customers and regulatory authorities require data and certificates about genotoxic impurities, freedom from heparin adulteration, freedom from hidden genetically modified components, including freedom from TSE/BSE, melamine, benzene, etc. Siegfried works in close cooperation with the US-FDA regarding product piracy to combat counterfeiting and to ensure end-user safety.

#### Integration of the New Sites

The integration of the three new sites in Evionnaz, St. Vulbas and Minden into our compliance system was completed in 2018. Siegfried's compliance system was implemented and numerous inspections by national and international authorities have been successfully passed. Preparations were made in 2018 to introduce GMP-relevant IT systems, such as

- Trackwise® for change notifications, deviations, investigations, observations, etc.
- LabWare LIMS™, a modern laboratory information and laboratory management system

at all sites to achieve further harmonization and standardization of Siegfried's processes. This ensures significant compliance at all sites. The systems will be implemented at the sites in 2019 and 2020.

Nantong now has a tested GMP structure and a safety concept based on the one in Zofingen, and production has started. Additional customer audits were carried out in 2018. They have shown that we are on the right track, but there is room for improvement in certain areas. Siegfried Nantong has passed further inspections by the Chinese authorities (CFDA) in 2018 and received the so-called Written Confirmation Letter for two new products that are to be sold in Europe. In 2019 we expect the first inspection of the American Food and Drug Administration (FDA) and we trust that we will be able to demonstrate that our new site also meets the FDA requirements.

#### Inspections and Audits

The focus of inspections by the authorities and audits by customers is on the quality of the goods produced and supplied by Siegfried to, ultimately, protect patients from risk. Therefore, the inspections and audits

examine compliance with the regulations for production, quality inspections and logistics procedures.

Open and continuous communication with the authorities, customers and suppliers is essential for well-functioning cooperation. Results of customer audits and of inspections by the authorities make Siegfried's performance and capabilities transparent. As is typical in the pharmaceutical industry, all of Siegfried's sites are constantly monitored. A difference is made concerning inspections (by the authorities), audits (by customers or by Siegfried at suppliers' facilities) and internal audits. Customer audits and audits at suppliers' facilities and manufacturers are announced in advance. Inspections by the authorities and internal audits can be carried out without prior notice. (For more information on the topic of audits with suppliers, please see the chapter "Sustainability in the Supply Chain", page 45).

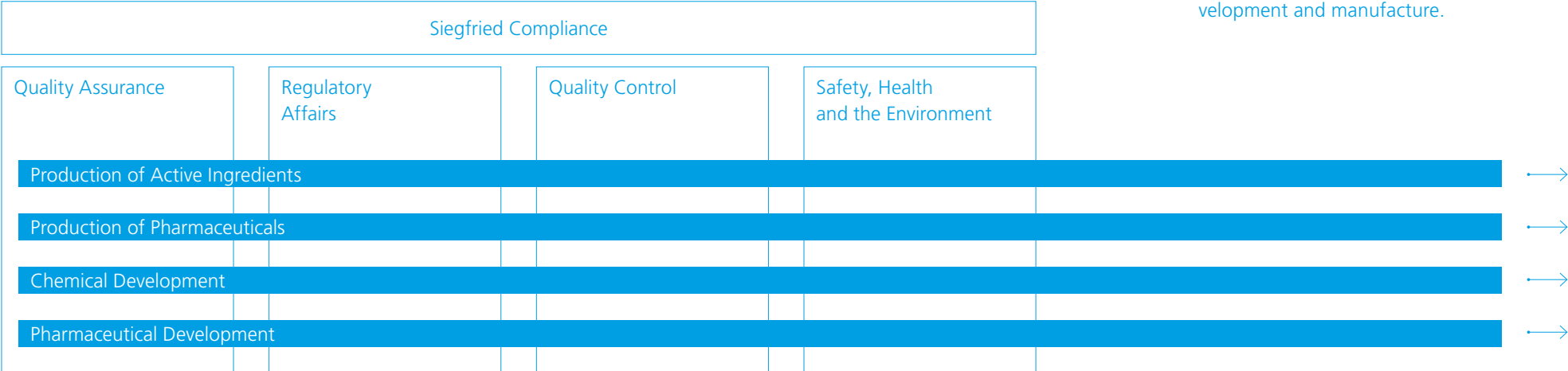
As a rule, inspections by the authorities are carried out:

- in the USA by the Food and Drug Administration (US-FDA), and for narcotics by the Drug Enforcement Administration (DEA)
- in Switzerland by Swissmedic, which delegates the inspections to the "Regionale Heilmittelspektorate Nordwestschweiz" (RHI) and Suisse Occidentale (ISOPTh), and by the US-FDA
- in Malta by the Medicines Authority Malta (MAM) and the US-FDA
- in Germany by the regional councils or the Trade Supervisory Board and the US-FDA
- in France by the national French authority (ANSM) and the US-FDA
- in China by the national authority CFDA (City, Province FDA), EDQM (Europe) and the US-FDA.

In 2018, a total of nine GMP inspections were carried out by the authorities in Zofingen, Pennsville, Malta, Evionnaz, St. Vulbas and Hameln, all with positive results. The responsible authorities issued or renewed the licenses (see <http://www.siegfried.ch>).

In respect of several hundred successful inspections and audits in recent years – in 2018 close to 30 in Zofingen alone – Siegfried had a good opportunity to measure itself against the systems of other companies and against the requirements of the authorities and to draw conclusions as to its own interpretation of guidelines. This

## Siegfried's Compliance Model



The compliance model of Siegfried is based on the four pillars of quality assurance, regulatory affairs, quality control and safety, health and the environment (SHE). All four pillars are consistently taken account of in the overall value chain during product development and manufacture.



created a sense of security for our quality management system. Moreover, this system serves to convince customers of our performance.

Customer Dialog

Siegfried operates a formal customer complaint system. We follow up all external question or complaints, be they justified or not. The type and number of complaints are recorded systematically. The individual cases are evaluated in quality assurance meetings run by the local quality manager. If necessary, changes will be initiated. Cases of a critical or strategic nature are activated by the Compliance Committee. In as short a time as possible, at the latest after 30 days, customers receive the results or, at least, an interim report on the investigations.

Quality Agreements with Customers

Customer requirements are extremely varied. On the one hand, they are becoming increasingly demanding and, on the other, deadlines are becoming shorter or production must be carried out in line with specific customer standards. The prescribed quality agreements between Siegfried and its customers represent a big challenge for the company. With an active customer base of over several hundred, multiple parallel customer-specific quality management systems cannot be handled in daily operations. The level of Siegfried’s own quality management system is so high because it must satisfy a range of customer requirements. In 2018, 206 quality agreements for the Siegfried sites were concluded with our partners. Over 100 quality agreements are in the pipeline and must be reviewed or negotiated in 2019. The new Siegfried sites have already been completely integrated into the system so that agreements are frequently reached between our customers and several sites.

Outlook

The high cGMP standard (current Good Manufacturing Practice) and Siegfried’s quality image enjoy international recognition. Siegfried knows it is better to maintain the standard than to restore a damaged reputation. As the industry guidelines and the customers make ever increasing demands on us, we must keep an eye on the situation at all times, assess it and take appropriate action, if necessary.

In 2019, Siegfried must continue to work on the standardization and harmonization of the quality management system of all sites. In 2019 and 2020, an important role will be played by IT programs in laboratory management, in deviation and change management and in training/qualification management.

2.2 Sustainability in the Supply Chain

Our suppliers play a decisive role in our sustainability performance, and that is why the cooperation with them must be based on the principles that we share. A shared understanding of quality, reliability of supply, ethical, social and ecological standards, competitive prices and the consistent integration of our sustainability claim in all production and business processes represents an enormous challenge in view of the com-

plex global supply chains and the large number of suppliers and sub-suppliers, but it is indispensable. Our partners should fulfill the same ecological and social standards as we do when it comes to respecting internationally recognized human rights and labor laws, the prohibition of any type of discrimination and harassment, compliance with environmental standards, the strict prevention of any form of bribery and the sustainable use of raw materials. Maintaining sustainability standards in the supply chain represents an elementary value adding factor and, at the same time, an important lever in the implementation of our “Code of Business Conduct” and for risk minimization. This requires a joint effort and long-term, value-oriented action to ensure product quality and social and environmental sustainability. We are convinced that sustainability in the supply chain can be obtained only by means of clear rules regarding the selection and qualification of our suppliers and in close cooperation with established suppliers.

We view the cooperation with our suppliers as an opportunity to integrate sustainability into the entire value-added process.

Siegfried purchases primarily raw materials, pharmaceutical additives, packaging materials and components of active agents from its suppliers. The manufacturers of this group of suppliers are particularly relevant to our business. Most are located in Europe (excluding Switzerland), India, China and Taiwan. In addition, Siegfried works with local service providers in logistics.

In the areas of logistics and distribution, responsible conduct also enjoys a high priority. The safe transportation of materials and products is essential; product safety is guaranteed throughout the supply chain and thus meets national and international standards and, especially, the Good Distribution Practice (GDP) widely used in the pharmaceutical industry.

Collaboration with Suppliers

Audits, in which Siegfried checks their quality management system as well as the social and ecological effects along the supply chain and identifies any possible risks, are carried out at regular intervals at the suppliers’ locations. In doing so, defects are addressed, and measures derived. Non-compliance with minimum standards will result in the imposition of a delivery block or the initiation of a change of supplier. Most of the audits are carried out by internal auditors complemented by a small number of audits that are conducted by independent external auditors.

Qualification of Suppliers and Service Providers

Often, raw materials, pharmaceutical excipients, packaging material, active agent components and occasionally also active agents purchased from manufacturers and suppliers abroad and used by Siegfried for the synthesis of pharmaceutical active agents or the manufacture of medicine. In such cases, Siegfried is responsible for the qualification of these manufacturers/suppliers. This qualification is carried out by questioning the manufacturers/suppliers, the continuous inspection of the quality of the material received, and by audits of the suppliers’ production plants. In 2018, more than 40 audits of suppliers and service providers were carried out.

Significant quality defects or violations of compliance are repeatedly found, particularly concerning manufacturers of intermediates or active pharmaceutical ingredients located in India and China, which may result, e.g. in the ban of imports of the products of such manufacturers. In the second half of 2018, such a situation occurred in relation to the sartan product category with regard to a large Chinese supplier with a market-dominating position. This may cause supply bottlenecks for us, unless another manufacturer has been previously established and qualified.

Good Distribution Practices (GDP)

GDP is a topic of increased significance since the introduction of new international guidelines in 2013. This should guarantee that the entire supply chain of materials from manufacturers via suppliers to Siegfried and from Siegfried to our customers is safeguarded from incorrect transportation and storage conditions as well as fraudulent attempts at counterfeiting. In doing so, there are increasing new requirements of measurement and documentation of transportation and storage conditions to be fulfilled. Furthermore, Siegfried must ensure that products are delivered only to the authorized recipients. To meet these requirements, the processes in SAP had to be adjusted and the transportation companies needed to be more closely monitored. Also, embargoes to nations such as Iran have to be consistently followed.

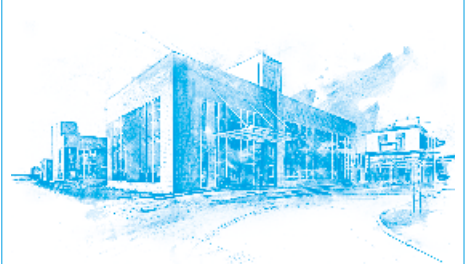
In distribution, our aim is to offer our customers high-quality products and services and thus build up long-term relationships with them.

Distribution at Siegfried is strictly regulated and subject to the relevant laws. The group-wide Code of Conduct, which does not permit violations of the law and which requires strict adherence to anti-corruption guidelines and cartel law applies (for more on the topic of corruption at Siegfried, see the section on Legal Compliance on page 43). So that our products and services may be distributed successfully, targeted communication and addressing the manifold needs of our customers are of particular importance. Owing to the great diversity of this group, individual measures must be taken to enter into dialog with customers and to gauge their satisfaction. Siegfried therefore operates an effective customer complaints management system (for more on the topic of customer complaints management see the section on “Quality Compliance”, page 44).

Outlook

All of Siegfried’s suppliers must also undergo our qualification processes. In the forthcoming years, in addition to the obligatory review of the quality systems and processes of the suppliers, service providers and logistics providers, they will increasingly be assessed for their sustainability, environmental sustainability and social responsibility. In the future, our inspection criteria will be strengthened through self-assessments or onsite audits.

Nantong



Nantong now has a tested GMP structure and a safety concept based on the one in Zofingen, and production has started. Additional customer audits were carried out in 2018. They have shown that we are on the right track, but there is room for improvement in certain areas. Siegfried Nantong has passed further inspections by the Chinese authorities (CFDA) in 2018 and received the so-called Written Confirmation Letter for two new products that are to be sold in Europe. In 2019 we expect the first inspection of the American Food and Drug Administration (FDA) and we trust that we will be able to demonstrate that our new site also meets the FDA requirements.

### 3. Safety, Health and Environmental Protection (SHE)

Safety, health and environmental protection are top priorities at Siegfried and are firmly anchored in its corporate mission statement. According to this principle, our employees and teams of specialists are committed every day to the continuous improvement of safety and to minimizing negative impacts on the environment. The costs and risks regarding work and production interruptions decrease as the result of accident prevention.

As a chemical-pharmaceutical company and a leading provider of controlled substances, Siegfried attaches great importance to plant safety, and the company works closely with professional service partners. Specialists control and monitor the situation on the company's premises around the clock and monitor the firms' own central alarm system. Every year, the expenditure on and investment in safety, health, environmental protection and plant security amount to tens of millions (double-digit) Swiss francs. Approximately 3% of Siegfried's global workforce is engaged full-time in the areas of safety, health and environmental protection.

Site	Number of employees working in SHE
Zofingen	9
Pennsville	7.5
Malta	1
Irvine	1
Nantong	6
Hameln	1
Minden	21
Evionnaz	15
St. Vulbas	8
Total	69.5

**Policy Guidelines and Key Figures**

Siegfried Zofingen und Evionnaz are members of the industry association Chemie Pharma Biotec "scienceindustries Switzerland", and have co-signed the Responsible Care® program. The Responsible Care program has also been implemented in the French production plant of St. Vulbas.

This worldwide initiative signifies the determination of the chemical-pharmaceutical industry to strive for continuous improvement in the areas of safety, health and environmental protection and to publicly present its progress on a regular basis. This initiative anchors this as a precautionary principle in the form of the voluntarily imposed regulations. The Responsible Care® program has defined six principles:

- The protection of people and the environment are a top priority.
- Plants are operated in such a way as to ensure safety, health and environmental protection. Products are safely manufactured, transported, used and disposed of with a lower impact on the environment.
- The possible impact of processes, products and waste on people and the environment is known. Collaboration with the authorities and third parties to implement measures for the protection of employees, society and the environment.
- Supporting business partners in the safe transportation, safe handling and the safe and environmentally compatible use and disposal of products.

- Dialog with society is maintained, which includes communication about products, processes, equipment and their impact on people and the environment as well as as precautionary protective measures.
- Products, processes and equipment are operated in such a way so that they are ecologically, socially and economically sustainable.

In 2006, Siegfried signed the ChemStewards® program of SOCMA (Society of Chemical Manufacturers and Affiliates), which is applied at the sites in the USA. The program focuses on the primary goals of stakeholder communication, product responsibility, the implementation of "Safety, Health and the Environment and Security" (SHE & S) from planning to operations, training and the commitment of employees as well as resource management and waste minimization.

The principles and contents of these various programs and systems are summarized in a global SHE policy, which was bindingly introduced in 2006 for all sites. This policy describes Siegfried's philosophy of safety, health and environmental protection towards employees, suppliers, business partners, customers, shareholders, the authorities and the public.

The management of Siegfried determines the SHE business policy and ensures that it is understood and practiced at all levels. The goals and programs concerning safety are developed within the medium-term planning process and reviewed on a regular basis.

The implementation of our safety and environmental policies and compliance with regulations are primarily in the hands of our employees. They are responsible for their own safety-conscious and environmentally compatible conduct. The leadership at every level of the organization is responsible for promoting safety and environmental awareness through relevant framework conditions and implementation measures.

In addition to global SHE campaigns, the various Siegfried sites also have the option to roll out site-specific initiatives. In 2016, in Pennsville, the Continuous Improvement (CI) program was launched to heighten safety awareness, which should be achieved through taking a variety of different ap-

proaches and cross-sectoral teams. This program has shown results: the accident figures have been significantly reduced compared to those of the previous years (see the table on accident statistics on page 49). The DuPont™ STOP training program regarding safety precautions was introduced at Siegfried in 2017.

Siegfried uses Key Performance Indicators (KPI) to control management processes and performance evaluations; they are also used for SHE protection and to define any corrective actions that may be necessary. Based on established accident and environmental parameters, we report on our activities and provide an extensive overview of accidents to interested parties. Additional information is available on our website ([www.siegfried.ch](http://www.siegfried.ch)).

Based on the area development at the Zofingen site, in 2014, the environmental risks were comprehensively assessed through an Environmental Impact Assessment (EIA) and, revised in 2016 due to the construction of the Logistics Centre. The report confirms that the requirements of the environmental protection legislation were adhered to in all respects. The evidence of this report continues to be valid for 2018.

#### 3.1 Energy and Climate Change

The production of active pharmaceutical ingredients and intermediates is energy intensive because, as a rule, it includes several chemical and physical stages. In addition to the many manufacturing stages, the temperatures, which range from very low to very high, required for many chemical reactions and physical processes, are responsible for considerable energy demand. The limited consumption of thermal energy compared to that of the previous year is based on increasingly low-cost energy processes, i.e. more products were manufactured without the need for specific heating or cooling.

Much of the raw materials used by us originate wholly or partially in the petrochemical industry. As we depend on these raw materials in the production of medical substances, careful handling of these resources is of great importance to us. However, it is not only about the availability of

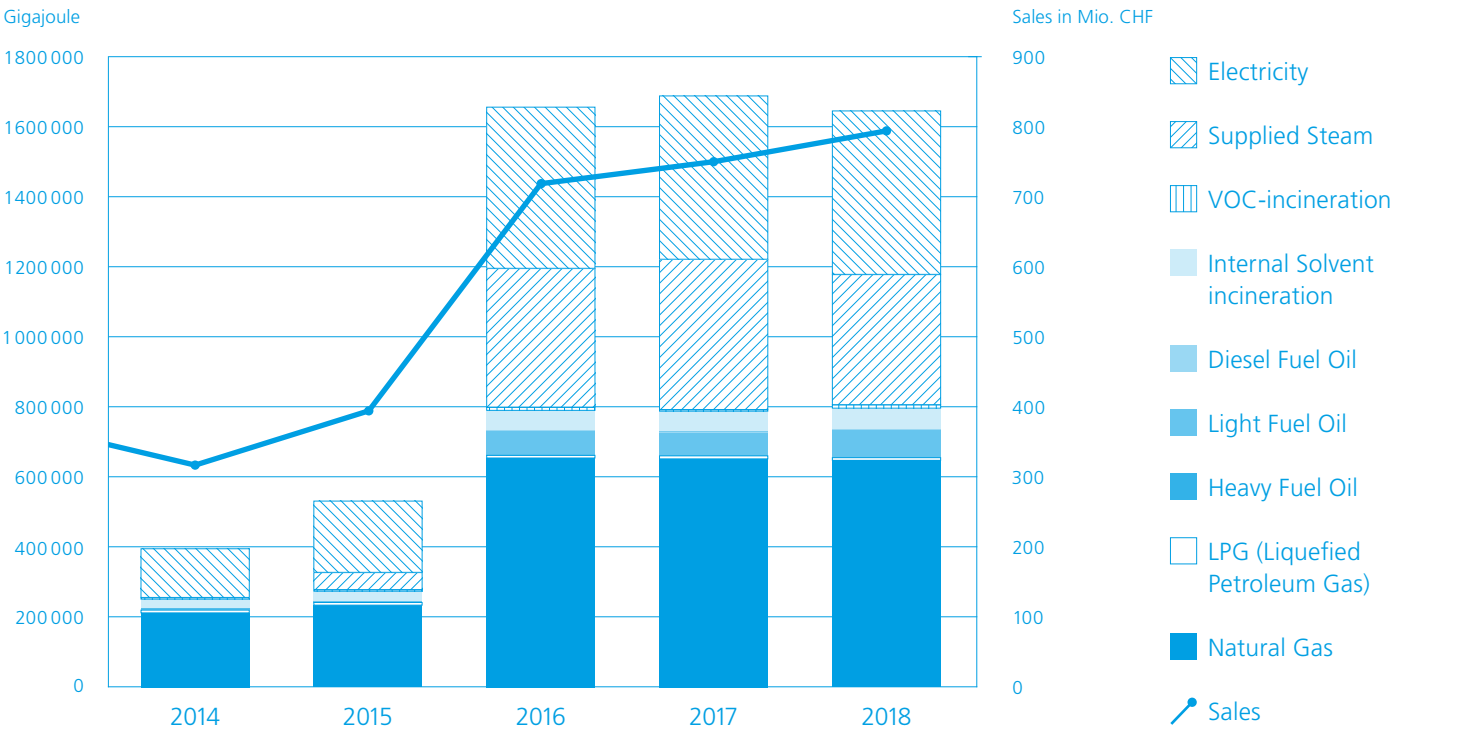
raw materials, Siegfried is also interested in reducing global climate warming and that the negative effects linked to it are restricted. We can make an active contribution through careful handling of natural resources and reducing the volume of waste materials. The change in the current figures varies compared to the previous year. Energy and water consumption have decreased, while volume of waste materials and air emissions have increased. Siegfried sees further potential for improvement in the optimization of processes as well as in decommissioning old plants and old buildings with poor energy performance.

Siegfried has already implemented various measures. For example, natural gas, which is relatively environmentally friendly, is used as the main source of energy. Heating oil is used only to a limited extent, above all where natural gas is not available. Siegfried stopped using heavy fuel several years ago. Regenerated solvents, which can no longer be used in production, serve as an alternative energy source. It was possible to increase the use of these so-called alternative fuels by 2.2% compared to the previous year's consumption; however, they only account for 3.6% of the total energy demand. The energy consumption of electrical and thermal energy is to be reduced based on optimization and partially through system upgrades, e.g. mode of operation of ventilation.

The goal set for 2018 to reduce the volume of standard energy consumption was achieved. The same was also possible for the consumption of electricity. Standard consumption decreased by 6.1%. The goal regarding CO<sub>2</sub> emissions was not achieved. Not only were the absolute emissions higher, standard CO<sub>2</sub> emissions also increased (+2.2%). This increase is attributable to the fact that the CO<sub>2</sub> emissions of the wastewater treatment plants were included for the first time in this report.

Siegfried's total energy consumption of 1645 terajoules (TJ) was 2.6% lower than that for the 2017 reporting year. The Evionnaz (+13.8%) and St. Vulbas (+6.6%) plants used more energy than in the prior year. This is primarily a result of the higher capacity utilization in these plants. However, the additional consumption was more than compensated by the considerable savings in the

### Energy Consumption





Hameln (–2.6%), Malta (–5.9%), Minden (–6.7%) and Nantong (–11.5%) plants. Energy consumption in the Pennsville and Zofingen plants was close to the level of last year. Standard total energy consumption was 8.0% lower than in the previous year.

In respect of natural gas, consumption was slightly below that of the previous year (–0.7%), whereas heating oil grew significantly (+19%). This increase is largely attributable to the better capacity utilization at the Evionnaz plant where heating oil is primarily used since natural gas is not available at this plant. The volume of steam, however, dropped considerably (–12.6%) and the consumption of electricity was slightly lower (–0.6%).

In 2018, Siegfried used no fuels which were generated from renewable energy sources. Wherever possible, Siegfried replaced mineral oil by natural gas, which has a lower impact on climate and resources. In smaller projects, fossil fuels were partially substituted. Together with the federal authorities, Siegfried defined a CO<sub>2</sub> reduction target by 2020, which should be achieved by means of site modernization. The details on energy consumption include all consumption directly incurred by the firm, which includes the diesel consumption of company-owned vehicles, but not the energy used for business travel.

The energy content of the fuels follows the fact sheet CO<sub>2</sub> Emissions Factors of the Greenhouse Gas Inventory of Switzerland, published by BAFU [Swiss Federal Office for the Environment FOEN] on 25.01.2016.

The total consumption of electric power at all Siegfried sites amounted to 466.2 terajoule (TJ). The 0.6% decrease in the consumption was due to a decline in the Evionnaz, Malta, Minden and Nantong plants. In Nantong the consumption of electric power did not increase, although production nearly doubled. This was achieved by taking a variety of different measures, including the change from sodium lamps to LED. Hameln reported a slight increase, Pennsville, St. Vulbas and Zofingen a moderate increase in electric power consumption compared to the prior year.

38.1% of the electric power consumed was generated from renewable energy sources.

At the Malta plant, the electricity produced by means of photovoltaics of 955 GJ was considerably lower than in the previous year (–27.1%).

CO<sub>2</sub> emissions in Scope 1 (direct emissions from operation) were mainly due to the use of fossil fuels; other sources represent approximately 7%. CO<sub>2</sub> emissions into the atmosphere increased by 3910 tons, or 8.2% compared to the prior year. This is primarily due to two reasons: For one, the capacity utilization was higher in Evionnaz where more heating oil is used, causing more CO<sub>2</sub>. For another, the CO<sub>2</sub> emissions attributable to the wastewater treatment plants were included in this report for the first time. Without the CO<sub>2</sub> emissions from these plants the increase would have amounted to only 1170 tons or 2.4%. The volume of standard CO<sub>2</sub> emissions was 2.2% higher. Excluding the wastewater treatment plants the volume of standard CO<sub>2</sub> emissions would have resulted in a decrease of 3.2% compared to the prior year.

The GWP (Global Warming Potential), expressed as CO<sub>2</sub> equivalent, amounted to 51 777 tons. For the conversion of other greenhouse gas emissions into CO<sub>2</sub> equivalents, the GWP values for a 100-year time horizon in accordance with the IPCC Assessment Report 5 (AR 5), Chapter 8 (“Anthropogenic and Natural Radiative Forcing”)

Key Environmental Protection Figures <sup>1</sup>

	Unit	2018	2017	2016	2015	2014
Energy consumption						
Total energy	GJ	1 644 800	1 689 200	1 656 200	531 900	400 000
Natural gas	GJ	645 400	649 900	652 300	234 000	210 400
LPG		9 400	9 000	8 200	7 300	8 100
Heating oil	GJ	77 700	65 300	68 737	7 200	4 400
Diesel		1 800	3 100	3 500	500	200
Alternative fuels (solvents)	GJ	59 600	58 300	56 700	23 900	27 300
VOC incineration		10 300	5 600	8 600	4 000	
Supplied steam		374 600	428 700	399 300	49 900	n.a.
Electricity	GJ	466 200	469 100	460 800	205 200	145 600
Emissions						
CO <sub>2</sub> emissions	Tons	51 760	47 850	48 200	16 300	15 000
VOC emissions	Tons	92	59	65	17	16
CO emissions	Tons	9.0	8.5	8.7	n.e.	n.e.
NO <sub>x</sub> emissions	Tons	37	40	37	n.e.	n.e.
SO <sub>2</sub> emissions	Tons	4.0	3.3	6.0	n.e.	n.e.
GWP, 100-year time horizon	Tons	51 780	47 600	n.e.	n.e.	n.e.
Water/wastewater						
Water consumption	m <sup>3</sup>	5 590 000	6 493 000	6 871 000	2 456 000	2 071 000
TOC emissions	Tons	117	109	1445	536	454
Nitrogen emissions	Tons	55.3	73.0	66.7	n.e.	n.e.
Phosphor emissions	Tons	1.7	2.7	1.9	n.e.	n.e.
Waste						
Total waste	Tons	53 550	47 985	50 400	16 200	13 500
Hazardous waste	Tons	40 424	39 918	47 600	13 800	11 700
Incineration	Tons	33 866	34 055	n.e.	n.e.	n.e.
Recycling	Tons	1 931	842	n.e.	n.e.	n.e.
Reclamation, including energy	Tons	4 494	4 927	n.e.	n.e.	n.e.
Landfill	Tons	110	94	n.e.	n.e.	n.e.
Non-hazardous waste	Tons	13 125	8 067	2 800	2 400	1 800
Incineration	Tons	3 602	402	n.e.	n.e.	n.e.
Recycling	Tons	1729	1 670	n.e.	n.e.	n.e.
Landfill		338	510	n.e.	n.e.	n.e.
Reclamation, including energy	Tons	2 477	1 451	n.e.	n.e.	n.e.
Reutilization	Tons	42	28	n.e.	n.e.	n.e.
Disposal to external wastewater	Tons	4 938	4 007	n.e.	n.e.	n.e.
Recycling						
Regenerated solvents (internal and external)	Tons	23 800	23 500	15 100	6 400	2 150

n.e. = not recorded  
<sup>1</sup> From 2016, the three former BASF production sites in Minden, Evionnaz and St.Vulbas acquired in 2015 have been included.

were used. The company's direct emissions, i.e. Scope 1, were taken into account. The CO<sub>2</sub> emissions from biogenic sources were also included for the first time.

The VOC volume emitted amounted to 92 tons, a plus of 33 tons compared to the previous year. The VOC emissions in the Minden and St. Vulbas plants decreased significantly, but were more than compensated by increases in the Pennsville, Nantong and especially the Evionnaz plants.

Siegfried Zofingen has established a VOC action plan with the responsible authorities for the period from 2018 to 2020, which has been approved by the latter. The plan is expected to further reduce VOC emissions.

The 37-ton emission of carbon nitrous gases (NO<sub>x</sub>) was 3 tons lower than that of the previous year. A slight increase was recorded in the Pennsville plant, while that in the Nantong plant was significant. Because of the decline in NO<sub>x</sub> emissions in all other plants, these increases were more than compensated.

Sulphur oxide emissions to the environment have been at a low level for quite some time. In 2018, it amounted to 4.0 tons and thus it increased by 20% compared to the previous year.

In the previous year, carbon monoxide emissions of 9.0 tons at all Siegfried sites increased marginally (+0.5 tons).

The reported greenhouse gas emissions are those of Scope 1 (direct GHG emissions).

Outlook

The volume of standard energy consumption is intended to be further reduced. The same applies to the consumption of electricity. We also aim to further reduce the volume of standard CO<sub>2</sub>-emissions.

A number of steps have been defined at the Minden plant to reduce energy consumption. This involves the reconstruction of the steam condensate network, an automatic control to desalinate the boiler feed water, and the replacement of instruments and heat exchangers with inadequate energy efficiency.

The retrofitting of the pumps is currently also underway at the Minden plant and expected to be completed in 2019 to meet the requirements of the Technical Instructions on Air Quality Control. A program is in progress in Zofingen with the goal of reducing the consumption of electricity.

St. Vulbas



The St. Vulbas site is supporting a local program to develop the activities of bees by sponsoring a beehive. The honey that is generated is distributed to the employees and any excess will be donated to a local charity.



### 3.2 Waste and Contamination

By its very nature, the production of active pharmaceutical ingredients results in the accumulation of large quantities of waste as the manufacturing processes are complex and lengthy. The waste contains by-products of a synthesis which can be harmful to human health and the environment. Siegfried is committed to minimizing waste. Handling waste with care is therefore of great importance to prevent negative influences on eco-systems. Siegfried meets all requirements of the authorities and is in possession of the necessary licenses.

Siegfried meets the defined environmental standards and cultivates regular dialogue and an exchange of ideas with the responsible environmental authorities. Concerning the Zofingen site, a cooperation agreement was signed in the summer of 2016 with the Canton of Aargau environmental authority. The agreement focused on the topic of waste water and an exchange of data was agreed on. Siegfried undertook to actively report all irregularities with a potentially negative influence on the environment.

Discharge reduction of active pharmaceutical ingredients and intermediate products into waste water at the Zofingen site was continued in 2018. Tests were carried out for several manufacturing processes and, where necessary, waste water treatment was implemented. The production sites in Pennsville and Evionnaz have their own wastewater treatment plants which remove trace contaminants by means of activated carbon treatment.

In 2018, water consumption was reduced by 14% across all sites. When comparing water consumption with sales, consumption decreased by 19%. Most of the production sites were able to reduce water consumption. In Nantong this was achieved due to the optimization of wastewater treatment, reducing it by as much as 43%. Owing to the great commitment of a special project group, water consumption at the Zofingen site decreased by 31% compared to the previous year. At the Nantong plant the percentage of the decrease in water consumption was even greater and the Evionnaz plant also used considerably less water. Water consumption in the other plants was within last year's range. We therefore reached an interim goal, but additional savings in water consumption are necessary and planned.

Across all Siegfried sites, total organic carbon (TOC) emitted into wastewater amounted to 117 tons, i.e. 8.2 tons or almost 7.6% more than in the previous year. Therefore, at all sites, the TOC emission after wastewater treatment has been recognized. The same is true for the key wastewater indicators of nitrogen and phosphorous emissions, where the values were measured following wastewater treatment. Nitrogen emissions into the water decreased to 55.3 tons (down 24%). The Minden site is the main emitter of nitrogen as it produces a large quantity of products containing nitrogen, which results in emissions into the wastewater. However, with the installation of a denitrification stage in Minden a considerable decrease of almost 15 tons (–22%) was achieved. Phosphorous released into the environment was 39% below that of the previous year, and with 1.7 tons it is at a low level.

The volume of total waste at all nine Siegfried sites amounted to 53 550 tons, or 11.6% more than a year ago. Compared to sales, waste increased by 5.4%. As in the case of CO<sub>2</sub> emissions, this increase is mainly due to the fact that the wastewater treat-

ment plants (sludge) were taken into account in this report. Without it the increase would only have been 2.2% and compared to sales, it would even have been 3.2% lower than in the prior year. The waste is divided into 40 424 tons of hazardous waste and 13 125 tons of non-hazardous material. The reason for the considerable share of hazardous waste is that chemical production incurs a large volume of waste solvents classified as hazardous. Compared to a year ago, this waste category remained almost the same. It was only 1% higher. The volume of regenerated solvents remained constant from a year ago. There are two possibilities for solvent regeneration: plant-internal regeneration or plant-external regeneration. A total of 23 800 tons of solvents were regenerated in 2018. The share of regenerated solvents in relation to solvent disposals remained constant at 61%,

#### Outlook

Additional savings in terms of waste are planned for 2019. Siegfried will primarily focus on optimizing waste solvents, the main waste category. An interdisciplinary project group was set up in 2018 already, consisting of employees from the Business Excellence, Product Chemistry, Disposal and Safety and Environmental Protection Departments. The goal is to increase the proportion of regenerated solvents. This applies particularly to solvents used to clean equipment. This initiative will significantly reduce the volume of waste solvents to be disposed. Waste reduction projects are also underway at other sites, such as in Minden, St. Vulbas and Malta.

Water consumption was reduced significantly in 2018. Additional savings and optimizations are foreseen for 2019. The interdisciplinary project group will pursue this goal further in 2019. In addition to the efforts to reduce water consumption, discharge of pollutants into the water must also be continuously reduced, as exemplified by the emission of active pharmaceutical ingredients. These processes are constantly being optimized. At the Evionnaz site, activated carbon treatment was installed in the site's own wastewater treatment plant to reduce the emission of micro-impurities. In Zofingen, an ongoing study concerning the municipal wastewater treatment plant into which Siegfried feeds its waste water looks into improvement of waste water purification regarding micro-impurities.

In 2018, the Zofingen plant participated in a feasibility study concerning the fermentation of industrial wastewater, which is co-financed by the Swiss Federal Office for Energy. The result was favorable. The fermentation of industrial wastewater is technically feasible. A decision will be made in 2019 as to whether this will be further pursued.

At the Nantong site, a waste solvent incinerator and a sludge drying system will be installed in 2019 with the aim of reducing the volume of purchased energy and the quantity of waste.

A request for proposals for the “pump & treat” installation for decontamination of the Evionnaz site's underground will go out in 2019. The start-up is expected to take place in the spring of 2020.

### 3.3 Safety and Health

An efficient and safe chemical process is central to process development. As a rule, all chemical processes undergo extensive environmental and safety tests during their development. The goal is to protect the health and safety of our employees and our neighbors. Our internal safety laboratories employ well-trained specialists and state-of-the-art measuring instruments for the physical and thermal testing of materials. In experiments, the flammability, the risk of explosion, as well as the response in normal operation and in the event of emergency are simulated and evaluated. The findings are summarized in a safety and environmental report and assessed in a subsequent process risk analysis.

As part of our failure prevention plan, failure scenarios in the production, storage and internal transportation of chemical substances are subjected to a comprehensive risk analysis. The results are summarized in a report and reviewed by the authorities during an annual inspection. For emergency situations, such as explosions, fires or chemical incidents, Siegfried maintains its own emergency teams in the production facilities. Thus, the chemical and firefighting team in Zofingen and the Minden firefighting team each have more than one hundred members, consisting of professional firefighters and volunteers from all departments. Additionally, at the behest of the authorities, these groups also respond to incidents involving hazardous materials outside the area of the plants. The sites in Evionnaz and St. Vulbas also have their own emergency units

How do I respond properly in the event of an emergency? These and similar questions about firefighting and first aid are discussed in regular training sessions and simulated in practical evacuation drills.

In addition, Siegfried employees are required to participate regularly in training with fire extinguishers. In these training sessions with small extinguishers, the employees learn to handle a fire in a wastebasket, a PC on fire, or even burning solvents by using different extinguishing methods. What they learn there is useful both in their professional environment as well as their personal life.

#### Focus on Workplace Safety

It is Siegfried's intention to create a corporate culture that tolerates no accidents. The Siegfried safety program was launched worldwide in 2006 based on this vision. The objective of the program is to raise the safety awareness of every employee. To further promote this, the Executive Committee decided in 2013 to introduce a global safety program, which was rolled out at every site together with experts from DuPont Sustainable Solutions. The key elements are the established STOP™ program and the five cardinal rules. All employees are required to develop a greater awareness of safety and to feel responsible for safety at work – their own and the safety of their coworkers. The goal of this safety initiative is an 80% reduction in the accident rate by 2018 compared to the 2012 reference year. Based on the 2012 accident rate, 38 occupational accidents per one thousand full-time employees, this parameter is intended to be reduced to less than 7 occupational accidents per one thousand employees within a period of six years. The target has not yet been achieved at all sites, but there has been a significant reduction in accidents since 2012 (see the table on accident statistics on page 49).

Most third-party companies located in Zofingen are also actively participating in this safety program.

In 2014 and 2015, 200 employees received training as part of the STOP™ program at the Hameln, Malta, Pennsville, Irvine and Zofingen sites. With the integration of the Evionnaz and St. Vulbas production sites into the Siegfried Group, the STOP™ Program was also mandatorily introduced at these sites in 2017/18 and in the process dozens of new “STOP auditors” have been trained. In the newest production plant in Nantong the STOP™ program was implemented in 2018. For historical reasons, at the Minden site, we have decided on a special solution, namely to put communication and behavior of the employees at the core and includes the most important STOP™ Program.

Several hundred STOP auditors have completed their training, which sharpens their own safety awareness, and the STOP auditors have been enabled to engage in structured dialogues with their colleagues and co-workers on the topic of safety. These dialogues are the actual core of the initiative, because safety is a recurring topic. It is not only about monitoring and identifying deficiencies. It also means recognizing and commending good conduct and good conditions.

#### STOP Initiative

In 2018, several thousand STOP dialogs took place at the various sites. The evaluations of the feedback from the STOP activities at the Zofingen plant showed for 2017/18 that most of the employees work with an awareness of safety.

	2018	2017
Number of reported safety dialogs	1 380	740
Individual observation points	44 000	20 000
Observations evaluated as “safe”	43 000	19 000
Observations evaluated as “unsafe”	1 000	1 000

The observations are focusing on the actions of the employees, e.g. the handling of tools and machinery, the use of personal protection equipment, ergonomics, contact with chemicals or hot surfaces as well as order and cleanliness. Unsafe handling is discussed and corrected by means of a safety dialog. The observations are performed on a continuous basis and analyzed by a work specialist. Safety campaigns are launched or specific training is provided where required.

In addition to the STOP initiative, a company-wide campaign for workplace safety was launched in 2014 with five cardinal rules describing the significant risks. These cardinal rules were applied globally in 2017. Compliance is mandatory for all employees; failure to comply will result in disciplinary action. Our five cardinal rules applicable worldwide are:

- Consistent use of personal protection equipment;
- Completion of the required safety training prior to performing work;
- Protection against falling while working at or above a height of two meters;
- Safeguarding equipment prior to maintenance work;
- No removal or overriding of safety devices.

To permanently promote safety awareness while working, various activities and campaigns were initiated. In the context of clarifying accidents, brief information was drawn up which was sent internally to all employees and also used for training purposes. Furthermore, on a monthly basis, SHE publishes key topics on work safety, such as,

correct grounding, maintenance and care of personal protection equipment, tripping/falling, the dangers and handling of hose lines, preparation and delivery of process equipment to the maintenance team, and providing proper emergency alarms.

Further training on safety concerning various topics is offered to the site's employees. For example:

- Internal training for logistics personnel and employees in dispatch on the transportation of hazardous goods and air freight safety training (known shipper)
- Introductory course on “correct packaging” for production chemists and waste disposal service providers
- Basic course on “IATA packaging” for the logistics department
- Introductory event on the classification of chemicals (hazardous materials/exposure), correct emergency alarms/conduct in the event of emergencies for new trainees
- Information event and sharing experiences for those responsible for building security
- Training for production workers on the topic of “weighing correctly”, “keeping correct records” and on the hygiene of face masks
- Training in the handling and use of small-fire extinguishers for site employees
- Safety training for construction site personnel
- Workshops for production personnel to prevent leaks of substances in the production plants.

Audits

The authorities, insurance companies and customers have inspected all facilities during the reporting year. Inspectors and customers confirmed that Siegfried has an effective and integrated risk and environmental management system in place. In an industry comparison, the risk assessment by the HDI Global insurance company revealed no irregularities. Siegfried sites meet the requirements for operational safety and fire protection and are listed among the top 10% in the insurance company's risk benchmark rating. Following the inspections in 2013, the production plants in Malta, Irvine and Pennsville were inspected again, and once more a good safety system and adequate fire prevention was attested.

The system of internal audits and safety inspection tours has been well established at the various sites. In Nantong, 73 internal safety and environmental audits were carried out and over 300 observations were recorded. 90% of the defects have already been corrected. In Zofingen, 104 internal safety and environmental audits were performed. The audit teams submitted some 570 suggestions for improvement, more than 75% of which were successfully implemented in 2018. Concerning hazardous goods controls, 126 internal transportations

by truck and rail were inspected. Defects and complaints were reported in about 3% of the inspections, which represents a considerable improvement over last year.

The implementation and compliance with the global SHE guidelines and with the local SHE requirements is periodically examined by corporate audits. This means that audit specialists from the Zofingen headquarters are inspecting the other sites and conduct multi-day safety audits. Last year the plants in Evionnaz, Minden, Nantong, Pennsville and St. Vulbas underwent a SHE inspection.

Plant Safety

As a chemical-pharmaceutical company, plant security is priority for us. The company property is secured with a fence or a wall. Additionally, cameras are provided for monitoring. Pedestrian and vehicle access routes are watched and controlled (reception). All visitors are registered and introduced to the specific regulations of conduct and security. The presence on company property requires a visitor's pass. Employee vehicles may not be parked inside the plant property. The property is monitored outside of the working hours by periodic inspections performed by the security service.

Incidents, Occupational Accidents and Occupational Illnesses

As part of Siegfried's integral risk assessment, in addition to the accident ratios, incidents with property damage or environmental impact have been shown under the parameter “accident points” since 2013. These accident points are determined as follows:

1 point for each day lost, 1 point per accident/occupational illness without days lost, 0.5 points per incident with significant property damage or environmental impact. This system allows Siegfried to be more transparent in reporting events.

The chart is a cross-comparison between the plants in 2018. Six sites were below the target rate of less than 25 “accident points” per 1 million hours worked. Three sites did not meet the target. In Evionnaz, Minden and St. Vulbas, there were several occupational accidents which led to multiple weeks of lost working hours. Injuries affecting the hands occurred in two cases (inadequate securing of load, hands touching a rotating machine) and in one case affecting the face (contamination due to a leaky pipe). These accidents were caused by improper behavior and miscalculation of danger. Due to the high accident figures various measures were taken, such as safety workshops, daily safety inspection tours and weekly meetings with the shift workers on the topic of safety. Awareness of the STOP™ program was raised again in Zofingen by training 25 new STOP inspectors. The approximately 100 STOP inspectors were sensitized and advised of their tasks and duties in 24 events regarding work safety. Together with SUVA (Swiss Council for Accident Prevention) a campaign on the topic of “Accident Victims in Dialog

with Employees” was launched. Actors dressed up as “accident victims” approached employees during lunch in the cafeteria and talked about “their accident” and how it could have been prevented.

No occupational illnesses or work-related deaths were recorded in 2018.

Seven production sites were able to reduce the number of occupational accidents (with and without lost days) compared to those of 2017. No accidents occurred in Hameln and Nantong. The sites in Zofingen and Malta were able to reduce occupational accidents by more than half compared to the prior year. The accident rate in Zofingen dropped as much as 79% to seven occupational accidents and in Malta it fell 57% to six occupational accidents per one thousand employees. Occupational accidents in Minden were reduced by roughly one third to eight per one thousand employees.

The opposite occurred in Irvine where the rate of occupational accidents worsened and increased to about 1%. In the Pennsville and St. Vulbas plants, the occupational accident rate was at approximately 2%, and below 1% in all other plants. A multi-year comparison shows that the accident rate across all sites in 2018 was the lowest ever achieved.

Accidents in Zofingen were reduced by over 50% compared to the long-term average. Thus, the occupational accident rate is below 1% for the first time and with seven occupational accidents per one thousand employees, it is also clearly below the average in the Swiss chemical and pharmaceutical industry (2017: 21 accidents/1000 full-time employees).

Most of the injuries were caused by tripping and falling. For half of the occupational accidents, no absences from the workplace were recorded. Care was given at the site's own first-aid stations, and the employees were able to return to their workplace.

At Group level, Siegfried was successful in significantly lowering the number of occupational accidents. The occupational accident rate has stagnated for several years at about 15 occupational accidents per one thousand employees. With seven occupational accidents per one thousand employees, Siegfried achieved one of the lowest accident rates in its history in 2018. Viewed across all sites, apart from St. Vulbas, most of the accidents, such as tripping, falling, lifting heavy loads and cutting, resulted in minor injuries and no or only short absences from the workplace of a few days.

Ensuring Health

Siegfried maintains process technologies with various containment systems for the development and production of highly active substances and finished dosage forms. Closed handling of substances protects the employees from excessive exposure. Wherever necessary, protective clothing with respirators is available to safeguard the safety of the employees. To minimize the risks of contamination, Siegfried has installed decontamination stations, airlocks and designated changing areas.

Compliance with the workplace thresholds and the effectiveness of the technical installations is monitored and periodically tested by SHE.

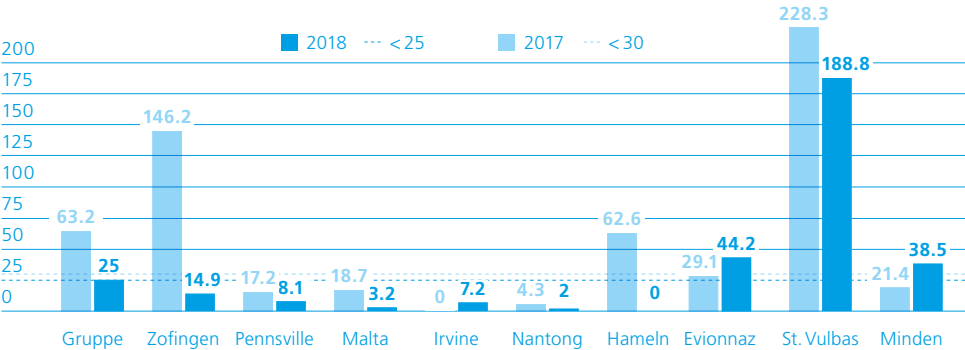
An internal workplace hygienist is available to address questions and problems of hygiene at work. Workplaces have been assessed and production equipment classified by means of monitoring. The production equipment is combined in a system evaluation register. Based on this information, the equipment operator or product chemist can assess in advance whether additional steps must be taken regarding exposure when the product is changed. If necessary, the monitoring is repeated. In 2018, for example, more than 100 such workplace

The 2018 accident statistics are as follows:

Incidents /1000 FTE	2018	2017	2016	2015	2014	2013
Zofingen	7	33	24	16	18	17
Pennsville	16	17	11	34	37	13
Malta	6	14	7	14	30	7
Irvine	7	0	8	0	8	16
Nantong	0	3	0	5	1	0
Hameln	0	8	17	24	n.a.	n.a.
Minden	8	12	16	n.a.		
Evionnaz	9	9	11	n.a.		
St. Vulbas	27	35	13	n.a.		
Group	7	16	15	15	14	12

Accident points /1 million working hours	2018	2017	2016	2015	2014	2013
Zofingen	15	146	49	24	60	58
Pennsville	8	17	87	159	42	17
Malta	3	19	4	42	70	4
Irvine	7	0	82	0	22	96
Nantong	2	4	1	5	2	0
Hameln	0	63	20	65	n.a.	n.a.
Minden	39	21	20	n.a.		
Evionnaz	44	29	46	n.a.		
St. Vulbas	189	228	50	n.a.		
Group	25	63	36	40	33	38

Number of accident points per 1 million working hours: (Goal <25)



The country and gender-specific accident rate of occupational accidents/ occupational illnesses for 2018 is structured as follows:

	Occupational accidents without days lost		Occupational accidents with days lost		Days lost	
	Men	Women	Men	Women	Men	Women
Switzerland	3	0	5	0	39.5	0
USA	2	0	1	1	1	3
Malta	1	0	0	0	0	0
China	0	0	0	0	0	0
Germany	0	0	5	0	36	0
France	0	0	3	1	44	1



exposure evaluations have been carried out in St. Vulbas and Zofingen.

Training and testing in the use of the correct personal protective equipment at work is ongoing. The on-site trainers are supported by SHE. The internal department for workplace safety evaluates new personal protective items for a variety of applications, tests skin-care products and compiles the information in a company catalog for body protection.

In 2018 the annual flu shot was offered again in the form of a vaccination campaign at no cost to the employees. As part of the medical care, about 100 employees in Zofingen were examined by the Institute for Occupational Medicine (ifa Baden) and assessed for their capacity to work. These medical check-ups were performed at the direction of SUVA (Swiss Council for Accident Prevention). In relation to the promotion of health, the Nantong site offers all employees the possibility of undergoing a medical check-up.

Ideas and suggested improvements submitted by employees are evaluated and implemented, if possible.

Company sports clubs are available to promote fitness.

Outlook

Siegfried continues to make the reduction of events and workplace accidents a priority by optimally using the STOP™ safety program which has been rolled out worldwide by now. Local initiatives and campaigns support working with an awareness of safety.

To quickly reintegrate employees injured in an occupational accident in the work process, the provision of alternative workplaces is intended to optimize operational health management. Steps have been taken and are continuously updated.

All facilities are encouraged to continue sharing information on SHE topics. The purpose is to further harmonize health and safety standards and to implement the global SHE philosophy across all sites. Initial meetings and the exchange of experience among SHE specialists have already taken place and will continue.

In the practical implementation of the Responsible Care Program Siegfried makes every

effort to continue promoting the cooperation with the authorities regarding safety and environmental protection. In addition to project-based interaction, periodic meetings between representatives of the authorities and Siegfried’s management are taking place.

4. Employees

Siegfried’s success is based on the skills, motivation, health and satisfaction of our employees. Demographic change, the scarcity of well-trained staff in all markets, cooperation among cultures and generations with increasingly difficult requirements for the compatibility of work and personal life and the change in the work environment through digitalization all demand a proactive design of future work conditions and the foundations of cooperation.

The goal of Siegfried’s human resources activities is to identify trends in good time and to secure the future by taking effective steps to create and offer attractive jobs over the long term and to further increase the organization’s competitiveness and flexibility.

At Siegfried, Global Head HR holds responsibility for the development and implementation of these topics. The definition of priorities and thrusts and the approval of concrete measures are carried out in close cooperation with Siegfried’s Executive Committee and the Board of Directors.

Siegfried’s global HR strategy builds on the following core topics with regard to developing and using Siegfried’s potential as a company:

Efficient Organization

Recruiting, developing and keeping well-trained employees and maintaining the productivity represents a key factor of Siegfried’s success. In a global and competitive job market with increasingly higher requirements of customers and the regulatory environment, we rely on employees with a high learning orientation, natural curiosity, a well-defined creative drive and open-mindedness for new ideas. For purposes of staff recruiting, a new digital employee recommendation platform has been successfully intro-

duced worldwide, through which existing employees are able to sign up and recommend new co-workers. Initial experiences have shown, on the one hand, that the current employees are comfortable at Siegfried and recommend the company to their friends and acquaintances. It also shows that the quality of internally recommended candidates is excellent.

Siegfried equally promotes expert, project and management careers and actively supports employees and managers in the further development of personal and professional skills. Siegfried deliberately focuses on the promotion and development of our own qualified young employees in management and specialist functions to ensure a robust internal order of succession and with this, a certain independence from the job market, but also to offer development perspectives to the employees. The development steps are determined and followed up in connection with the annual performance and development reviews. In addition to our individually defined external and internal continued education programs, Siegfried encourages employees to grow by taking on additional, demanding tasks and responsibilities or by obtaining experience from reassignment to another company site. Current projects, particularly concerning qualified production employees, involve the systematic increase and expansion of technical competencies, which ultimately boost the flexibility of these employees and consequently their versatility.

During the year under review, the employees across the group attended an average of approximately 24 hours/3 days of internal and external continuing education and training events.

Staff development and the availability of training are expected to be redesigned over the course of the next 12 months and to bring the training into line with the core competencies required now and in the future.

Furthermore, professional training at Siegfried plays a significant role to meet future needs for skilled employees. With a focus on careers in the areas of laboratory assistant, chemical technician and pharmaceutical technician, Siegfried is currently of-

fering 104 young people around the world attractive training possibilities as well as interesting career opportunities via the completion of an apprenticeship. Siegfried also offers university graduates exciting prospects to enter the job market through trainee programs and internships.

Site	Number of Apprentices	In % of number of employees
Zofingen	37	7.3%
Evionnaz	15	5.2%
Hameln	17	3.9%
Minden	18	5.4%
St. Vulbas	8	7.2%
Nantong	6	2.9%
Malta	3	2.0%

Excellent Leadership

The quality of our managers for our corporate success and for the satisfaction and commitment of our employees is a key success factor. Owing to their functions, managers are in a position, to a considerable degree, to put their stamp on corporate culture. They contribute decisively toward creating a work environment in which people perform well and innovation is being encouraged.

During the year under review, a global employee survey was conducted for the first time on the topics of company values and leadership principles. The goal was to assess employee satisfaction and the status of the implementation and acceptance of the values and leadership principles introduced in 2016. The results have shown that we are well on track across all sites as far as the acceptance of values and leadership principles is concerned, but we still need to continue working on internal communication, the empowerment of managers and employees and the culture of cooperation.

Leadership workshops were held again in 2018 at all sites with the local management teams, the CEO and the members of the Executive Management. In these workshops, the results of the employee survey were discussed in detail and specific steps and initiatives were determined regarding the issues with potential to improve.

Siegfried’s performance management process represents a key element of leader-

203

employees with part-time employment

100

employees in Zofingen were examined by the Institute for Occupational Medicine and assessed for their capacity to work.

104

apprentices at all Siegfried sites

29.4

percentage of women employees



ship, of the development of our employees and of the control of the goals with relevance for the company. The process is implemented uniformly at all sites and, where possible, across all levels of the hierarchy. The scope of this process foresees a target-setting meeting at the start of the year, an appraisal interview at the end of the year and a mid-year review. Key is the feedback during the course of the year as this process provides every employee with specific information regarding their performance and conduct in a timely manner.

Attractive and Responsible Employer

Siegfried aims to create and maintain secure and attractive jobs at all of its sites providing competitive working conditions while reconciling the interests of the company with those of its employees.

In addition to attractive employment conditions, a market-oriented base salary and performance-related variable compensation elements and participation plans (for detailed information, see the Remuneration Report, page 33ff.), Siegfried attaches great importance to maintaining a balance between work, family and leisure time allowing our employees to be and remain efficient, creative and successful. Important elements in achieving this goal are provided by the possibility of flexible worktime, working part-time and taking unpaid leave. The first concrete steps were developed and initiated during the year under review to make managers and staff more aware of the importance of health management.

Siegfried places high priority on a discrimination-free working environment in which employees develop personally and professionally, advance innovation and deliver superior performance. We do not tolerate any form of discrimination based on sex, race, ethnic background, religion or ideology as well as physical or mental disabilities. We consider our corporate culture, which is based on the values of respect, loyalty, credibility, sustainability and compliance, and our Code of Business Conduct to be an important and binding foundation of our interactions.

We put emphasis on regular, clear and open communication allowing all employees to develop a good understanding of the strategy and the economic interrelations and the resulting acceptance of corporate goals and department objectives. Information events and workshops are carried out several times a year with the aim of promoting dialog and an exchange of information between employees and higher management. In addition, these events serve to present current business developments and information concerning strategy and other important issues and projects. Roundtable meetings were introduced at all sites during the year under review. These are an opportunity for the employees to communicate directly with a member of the Executive Management.

Siegfried looks back on a long tradition of solution-driven cooperation with employees in the spirit of social partnership. Siegfried respects the right of each employee to join an employee representation or a union. We cultivate direct, transparent and constructive dialog with all representatives of employees and unions. Joint information meetings and discussions concerning Siegfried's business development and measures concerning workplace and co-determination aspects are carried out at regular intervals. Collective labor agreements are available to substantial groups of employees in Switzerland, Germany, France, Malta, China

Sustainability Figures

Employees as per 31 December <sup>1</sup>		2018		2017	
Permanent employees					
Zofingen, Switzerland	Number/total	504		543	
Evionnaz, Switzerland	Number/total	287		298	
St. Vulbas, France	Number/total	111		110	
Pennsville, USA	Number/total	169		159	
Irvine, USA	Number/total	122		112	
Malta	Number/total	150		128	
Nantong, China	Number/total	202		204	
Hameln, Germany	Number/total	435		441	
Minden, Germany	Number/total	333		336	
Siegfried Pharma, Zofingen, Switzerland		51			
Group	Number/total	2 364		2 331	
Full-time employees	Number/%	2 161	91.4%	2 126	91.2%
Part-time employees	Number/%	203	8.6%	205	8.8%
Apprentices/number of apprentices based on total employment	Number/%	104	4.4%	92	3.9%
Temporary employees					
Zofingen, Switzerland	Number/total	71		107	
Evionnaz, Switzerland	Number/total	28		13	
St. Vulbas, France	Number/total	21		16	
Pennsville, USA	Number/total	3		2	
Irvine, USA	Number/total	3		7	
Malta	Number/total	0		4	
Nantong, China	Number/total	3		2	
Hameln, Germany	Number/total	88		63	
Minden, Germany	Number/total	83		74	
Siegfried Pharma, Zofingen, Switzerland		2			
Group	Number/total	302		288	
Diversity <sup>2</sup>					
Female employees	Number / %	695	29.4%	670	28.7%
Male employees	Number / %	1 669	70.6%	1 661	71.3%
Women in upper management	Number / %	4	0.2%	4	0.2%
Men in upper management	Number / %	40	1.7%	42	1.8%
Women in middle and lower management	Number / %	95	4.0%	85	3.6%
Men in middle and lower management	Number / %	240	10.2%	243	10.4%
Female full-time employees	Number / %	517	74.4%	498	74.3%
Female part-time employees	Number / %	178	25.6%	172	25.7%
Male full-time employees	Number / %	1 644	98.5%	1 631	98.2%
Male part-time employees	Number / %	25	1.5%	30	1.8%
Demographics					
Employees up to age 30	Number / %	354	15.0%	359	15.4%
Employees between age 31 and 50	Number / %	1 292	54.6%	1 309	56.2%
Employees above age 50	Number / %	718	30.4%	663	28.4%
Average age of employees	Age	42.3		41.7	
Fluctuation					
Exits/fluctuation women	Number / %	86	3.6%	69	3.0%
Exits/fluctuation men	Number / %	208	8.8%	240	10.3%
Total fluctuation rate	Number / %	294	12.4%	309	13.3%
Lost working days due to accidents and illness					
Lost working days due to work-related illness	Number of days / %	75.0	0.3%	18.0	0.1%
Lost working days due to illness <sup>3</sup>	Number of days / %	21591.3	90.4%	22 529.4	92.0%
Lost working days due to work-related accidents/quota of days lost in %	Number of days / %	261.4	1.1%	423.5	1.7%
Lost working days due to non-work-related accidents/quota of days lost in % <sup>3</sup>	Number of days / %	1950.0	8.2%	1 509.1	6.2%
Total lost working days	Number of days / %	23877.7	100.0%	24 480.0	100.0%
Ø days					
Lost working days per employee	per employee / %	10.1	4.6%	10.5	4.8%

<sup>1</sup> Source: Siegfried ERP System (SAP HR), as per 31.12.  
<sup>2</sup> related only to permanent employees  
<sup>3</sup> Hameln and Minden sites: non-work-related accidents are included in "lost working days due to illness"

and the USA. A total of 1 054 individuals, or 44.6% of all employees, are subject to a collective employment agreement. GRI102–41  
At all sites we unconditionally respect the local statutory regulations concerning labor and the international standards of the International Labor Organization (ILO). The salaries Siegfried pays its employees are above the legal minimum wage at all sites and the company does not employ minors. At Siegfried, part-time employees and employees with a fixed-term work contract are treated the same as full-time employees with regard to their employment conditions.

Employment Development

As of December 31, 2018, the Siegfried Group employed 2 364 employees worldwide. The number has increased slightly compared to the previous year due to the acquisition of Siegfried Pharma. The group-wide fluctuation rate decreased to 12.4% in the year under review (previous year: 13.3%). The fluctuation rate includes all terminations of contract (either on the part of the employee or the employer), outsourcing as well as retirements and deaths.

Siegfried employs about 241 external staff worldwide. They are employed mainly

in production and production-related fields such as laboratory and warehouse, to cover for production peaks and long-term absences. All of Siegfried's partners relating to external employees maintain legal regulations and pay minimum wages. Basic salaries of external employees are comparable to those of Siegfried's own employees.

### Outlook

We plan to further increase the effectiveness of our HR activities and the performance of our managers within the coming months.

Our focus continues to be on the organization's greater flexibility and agility as well as maintaining its efficiency. In the coming years, Siegfried will therefore continue to focus strongly on the empowerment of employees and managers while putting even greater emphasis on preventive health management.

## 5. Corporate Social Responsibility

### 5.1 Local Population

In connection with corporate social responsibility Siegfried maintains contact with the authorities and other responsible parties and also directly with the populations at the various sites. Since Siegfried is considered and valued as an important employer at most of the sites all parties are interested in doing so. The contacts are primarily maintained by the site management, but the top management of the Siegfried Group also periodically meets with the regional and local political leadership.

The key component of such communication is the topic of education and training. Siegfried provides internal training positions and internships and is willing to support primarily science-oriented educational institutions in various ways, based on the respective professional training systems and/or academic educational institutions. Where gaps exist, Siegfried also provides internal training or retraining. Furthermore, Siegfried supports institutions where students are exposed to the sciences at an early age.

A vital topic which is discussed in close communication with the authorities is the subject of safety and environmental protection. Siegfried is doing its utmost to meet all corresponding rules and regulations. As a result, it maintains sizeable firefighting and chemical disaster units at all sites. If the authorities wish, these units are prepared to also serve outside the company, especially in cases concerning chemical substances.

Other engagements take place in a social and cultural environment. Related activities by the employees are also supported by the company at many sites. They include the participation of company teams at charity events such as "Race for life" or "Powerman Charity". The company grants financial support to social commitments and commitments volunteered by employees for disabled people. The same is true for volunteer commitment in the field of sport and youth sport. The sites have a budget item available for this.

### Outlook

The Siegfried Group will continue to fulfill its social responsibility, e.g. in the form of various memberships, and will cultivate the contact with the local population at all sites. The goal is to increasingly establish such engagements across the sites to make better use of the resulting synergies between the various sites, countries and regions.

### search and development, and an excellent educational system, both work-related and academically. Free market access worldwide is of great importance to Siegfried.

Important current topics include the following:

- Research and innovation
- Education
- Free movement of people and thus the possibility for Siegfried to acquire employees with the greatest capabilities
- Free movement of goods
- Comparable conditions for all manufacturers worldwide, also with regard to the regulatory environment.

These are the issues that Siegfried supports worldwide, at the company's headquarters in Switzerland and at every site.

At the European level Siegfried is actively involved in EFCG (European Fine Chemical Group), a sector group within CEFIC (European Chemical Industry Council).

In Switzerland, Siegfried occasionally supports – primarily in connection with popular votes – political parties or candidates who share the company's political goals. During the year under review, Siegfried spent approximately CHF 5000 for popular votes in Switzerland relating to the interests of business in general and companies in the chemical and pharmaceutical industries in particular. Siegfried's direct support of pro-business parties amounted to about CHF 4000. No specific candidates were directly supported in the year under review. Siegfried did not make any other contributions to any parties or individual politicians.

Furthermore, Siegfried is a member of "scienceindustries", the Swiss economic umbrella organization Chemie Pharma Life Science, the Swiss Society for Chemistry (SCU), and the Swiss Society for Health Policy. Siegfried is also a member of Park InnovaAare, an organization which brings business and science together in the Canton Aargau. In addition, the head of Pharmapark Zofingen has a seat on the board of economiesuisse and "scienceindustries", the economic umbrellaorganization Chemie, Pharma, Life Science. He is the Vice President of the Aargau Chamber of Industry and Commerce AIHK.

Overview of the memberships of the Siegfried Group and the companies at the individual sites:

Group		European Fine Chemical Group (EFCG); Sektorgruppe des European Chemical Industry Council (Cefic) scienceindustries Chemie, Pharma, Life Science, Swiss economic umbrella organization Swiss-American Chamber of Commerce Swiss-Chinese Chamber of Commerce The Association of Swiss Enterprises in Germany (VSUD) Avenir Suisse DCAT Drug, Chemical, & Associated Technologies Association, USA
Zofingen	Switzerland	Aargau chamber of Commerce and Industry (AIHK) Zofingen Economic Region Association (WRZ) Park InnovAARE
Evionnaz	Switzerland	Chambre Valaisanne de Commerce et d'Industrie Groupement Romand Industrie Pharma Union Industriels Valaisans
Hameln	Germany	AdU (Employers' Association of Business in Weserbergland) ChemNord (Employers' Association of the Chemical Industry in Northern Germany) BME (Bundesverband Materialwirtschaft, Einkauf und Logistik) Weserbergland AG (network of businesses)
Minden	Germany	Arbeitgeberverband für die Chemische Industrie Ostwestfalen-Lippe e.V. East Westphalia Chamber of Commerce and Industry (IHK) Association of the Chemical Industry (VCI)
St. Vulbas	France	Union des Industries Chimiques (UIC) Mouvement des entreprises de France (MEDEF) Plaine de l'Ain Industrial Park (PIPA)
Hal Far	Malta	Malta Chamber of Commerce Malta Employers Association Foundation for Human Resources Development
Pennsville	USA	SOCMA Society of Chemical Manufacturers and Affiliates NJBIA (New Jersey Business & Industry Association) Salem County Chamber of Commerce Employers Association of New Jersey
Irvine	USA	International Society of Pharmaceutical Engineers (ISPE) Parenteral Drug Association (PDA) American Society of Quality (ASQ) California Chamber of Commerce
Nantong	China	SwissCham Shanghai Nantong Pharmaceutical Association Nantong Biopharmaceutical Industry Union



Please find the detailed GRI Content Index on the internet at [report.siegfried.ch](https://report.siegfried.ch)



# Financial Report 2018

Following Distinct Growth in Previous Years, Siegfried Reports again a Sound Result for 2018: Sales of 794.3 Million Francs Set a New Record.

## Key Figures

	2018	2017 <sup>1</sup>	Change CHF (LC)
Net sales (million CHF)	794.3	750.5	+5.8% (+4.4%)
Gross profit (million CHF)	156.5	138.8	+12.8%
Gross profit margin (%)	19.7%	18.5%	
Results before special effects <sup>2</sup>			
EBITDA (million CHF)	127.4	111.3	+14.5%
EBITDA margin (%)	16.0%	14.8%	
EBIT (operating result) (million CHF)	77.8	61.9	+25.7%
EBIT margin (%)	9.8%	8.3%	
Net profit (million CHF)	57.5	40.8	+40.9%
Net profit-margin (%)	7.2%	5.4%	
Non-diluted earnings per share (CHF)	13.81	10.28	+34.3%
Diluted earnings per share (CHF)	13.38	9.97	+34.2%
Results after special effects			
EBITDA (million CHF)	125.9	111.3	+13.1%
EBITDA margin (%)	15.8%	14.8%	
EBIT (operating result) (million CHF)	76.3	61.9	+23.2%
EBIT margin (%)	9.6%	8.3%	
Net profit (million CHF)	56.3	40.8	+37.9%
Net profit-margin (%)	7.1%	5.4%	
Non-diluted earnings per share (CHF)	13.52	10.28	+31.5%
Diluted earnings per share (CHF)	13.10	9.97	+31.4%
Cash flow			
Cash flow from operating activities (million CHF)	106.0	84.6	+25.2%
Free cash flow (million CHF)	46.0	32.3	+42.1%
Investment in property, plant and equipment and intangible assets (million CHF)	60.1	52.8	+13.7%
Balance sheet			
	December 31, 2018	December 31, 2017 <sup>1</sup>	Change
Equity (million CHF)	678.8	667.8	+1.6%
Total assets (million CHF)	1 103.1	1 071.0	+3.0%
Equity ratio (%)	61.5%	62.4%	
Employees (number of FTEs)	2 294	2 260	+1.5%

<sup>1</sup> Restatement see accounting policies – Employee benefits.  
<sup>2</sup> Restructuring costs Siegfried Evionnaz.

## Financial Commentary



Dr. Reto Suter  
Chief Financial Officer

### Growth, widening of margins, significant increase in the Operating Cash Flow and the Free Cash Flow

Siegfried reports higher sales for the 2018 financial year of CHF 794.3 million (2017: CHF 750.5 million, +5.8% in CHF or +4.4% in local currencies). Gross profit grew faster than sales (CHF 156.5 million) owing to higher utilization, portfolio effects and price increases.

EBITDA<sup>1</sup> (CHF 127.4 million), EBIT<sup>1</sup> (CHF 77.8 million) and Net Income<sup>1</sup> (CHF 57.5 million) were reported clearly higher than for the previous year. Sustained growth is reflected in increased margins at all levels: EBITDA margin<sup>1</sup> amounted to 16.0% (2017: 14.8%<sup>2</sup>), EBIT margin<sup>1</sup> (9.8%, 2017: 8.3%<sup>2</sup>) and Net Income margin<sup>1</sup> (7.2%, 2017: 5.4%<sup>2</sup>) improved significantly.

<sup>1</sup> Before special effects, restructuring costs Siegfried Evionnaz.  
<sup>2</sup> Restatement see accounting policies – Employee benefits.

Cash Flow from Operating Activity for the first time exceeded the CHF 100 million mark; in the year under review it amounted to CHF 106.0 million. Deduction of Net Investments in Property, Plant and Equipment and Intangible Assets resulted in a Free Cash Flow of CHF 46.0 million.

### Robust, Disproportionately High EBITDA Growth

Sales of CHF 794.3 million comprises CHF 595.5 million derived from Drug Substances and CHF 198.8 million from Drug Products. While Gross Profit grew by 12.8% to CHF 156.5 million, the Gross Profit margin increased by 1.2% to 19.7%.

Marketing and distribution costs in the year under review of CHF 16.1 million remained practically constant despite higher sales. Research & Development costs reflect the significance of this department and rose slightly to CHF 27.5 million. Administration and general costs increased to CHF 43.4 million.

This resulted in EBITDA<sup>1</sup> of CHF 127.4 million, a distinct increase of 14.5%.

### Lower Financing Cost, Significantly Higher Net Profit

The financial result of CHF –6.1 million is reported higher than for the previous year (2017: CHF –4.1 million<sup>2</sup>). This is due to higher currency differences (CHF –2.5 million, 2017: CHF –0.1 million). Expenses for interest on borrowed capital and fees of CHF 3.5 million were reported slightly lower than for the previous year (2017: CHF 3.7 million<sup>2</sup>). The financial result was influenced by a correction concerning interest effects from pension obligations. The previous year's values were restated accordingly.

Tax expense for 2018 amounted to CHF 13.9 million, resulting in higher net profit<sup>1</sup> of CHF 57.5 million, or 40.9% above that of the previous year. Undiluted earnings per share (EPS)<sup>1</sup> amounted to CHF 13.81, diluted earnings per share<sup>1</sup> CHF 13.38 (2017: EPS<sup>2</sup> CHF 10.28, diluted EPS<sup>2</sup> CHF 9.97).



Substantial Increase in Operating Cash Flow and Free Cash Flow

In 2018, Siegfried reported operating cash flow after changes of net current assets of CHF 106.0 million (2017: CHF 84.6 million), representing substantial growth of 25.2 per-cent. Worth mentioning is a stock reduction (CHF -19.8 million) and the lower increase in trade receivables, loans and other receiv-ables compared to the previous year (CHF +27.3 million; 2017: CHF +33.7 million). As in 2017, high sales were recognized in the last quarter of the year which resulted in above-average accounts receivables at year-end.

Investments in tangibles and intangibles of CHF 60.1 million are reported slightly above the previous year's level (2017: CHF 52.8 million).

In 2018, the net amount of CHF 29.4 million was expended for the acquisition of treasury shares. Interest paid and bank charges amounted to CHF 10.4 million in 2018. Dividend distribution from capital re-serves to shareholders implemented in April 2018 amounted to CHF 10.0 million.

At year-end, Siegfried had at its disposal more than CHF 39.9 million in liquid assets. Outstanding loans amounted to gross CHF 110.0 million. Consequently, net debt at the end of 2018 amounted to CHF 70.1 million, thereof CHF 56.1 million treasury shares. Net debt in relation to EBITDA at year end was reported at 0.56 and the level of equity financing at 61.5 percent. Siegfried there-fore has at its disposal necessary debt ca-pacity to finance further growth steps.

The Board of Directors proposes to the General Meeting to be held on 17 April 2019 the distribution out of the capital con-tribution reserve of CHF 2.60 per share which, based on the number of shares enti-tled to a dividend, will result in a distribu-tion of approximately CHF 10.7 million.



Dr. Reto Suter,  
CFO

Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2018	2017 <sup>1</sup>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	520 597	500 209
Intangible assets	3	10 625	9 425
Investments in associated companies and joint ventures	4	416	475
Financial and other non-current assets	5	579	3 483
Employer contribution reserves	17	8 617	9 222
Deferred tax assets	6	28 402	34 645
<b>Total non-current assets</b>		<b>569 236</b>	<b>557 459</b>
<b>Current assets</b>			
Inventories	7	227 546	248 294
Trade receivables	8	217 009	189 160
Other current assets		38 566	35 403
Accrued income and prepaid expenses		6 373	6 034
Current income taxes		3 992	192
Securities		30	30
Derivative financial instruments	9	477	296
Cash and cash equivalents		39 880	34 137
<b>Total current assets</b>		<b>533 873</b>	<b>513 546</b>
<b>Total assets</b>		<b>1 103 109</b>	<b>1 071 005</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Share capital		8 514	8 422
Treasury shares		–56 139	–21 601
Capital reserves		79 668	74 193
Hybrid capital		255 985	255 985
Retained earnings		390 749	350 789
<b>Total equity</b>		<b>678 777</b>	<b>667 787</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	12	110 000	100 000
Non-current provisions	13	28 917	16 951
Deferred tax liabilities	6	8 559	6 948
Other non-current liabilities	14	1 576	1 392
Non-current pension liabilities	17	123 986	130 197
<b>Total non-current liabilities</b>		<b>273 038</b>	<b>255 488</b>
<b>Current liabilities</b>			
Trade payables		69 344	71 316
Other current liabilities	16	31 887	19 221
Accrued expenses and deferred income	15	34 548	44 874
Derivative financial instruments	9	–	97
Current pension liabilities	17	499	406
Current provisions	13	10 598	6 917
Current income tax liabilities		4 418	4 899
<b>Total current liabilities</b>		<b>151 294</b>	<b>147 730</b>
<b>Total liabilities</b>		<b>424 332</b>	<b>403 218</b>
<b>Total liabilities and equity</b>		<b>1 103 109</b>	<b>1 071 005</b>

\* The Notes on pages 56–64 are an integral part of the Group Financial Statements.  
<sup>1</sup> Restatement see accounting policies – Employee benefits.

Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2018	2017 <sup>1</sup>
Net sales	26	794 297	750 468
Cost of goods sold		–637 769	–611 657
<b>Gross profit</b>		<b>156 528</b>	<b>138 811</b>
Marketing and sales costs		–16 122	–16 228
Research and development costs		–27 471	–25 631
Administration and general overhead costs		–43 350	–41 290
Other operating income	19	6 733	6 264
Income of associated companies		–38	–8
<b>Operating result</b>		<b>76 280</b>	<b>61 918</b>
Financial income	20	74	35
Financial expenses	20	–3 661	–3 994
Exchange rate differences	20	–2 529	–96
<b>Profit before income taxes</b>		<b>70 164</b>	<b>57 863</b>
Income taxes	6	–13 854	–17 041
<b>Net profit</b>		<b>56 310</b>	<b>40 822</b>
Non-diluted earnings per share (CHF)	21	13.52	10.28
Diluted earnings per share (CHF)	21	13.10	9.97

\* The Notes on pages 56–64 are an integral part of the Group Financial Statements.  
<sup>1</sup> Restatement see accounting policies – Employee benefits.

<sup>1</sup> Before special effects, restructuring costs Siegfried Evionnaz.  
<sup>2</sup> Restatement see accounting policies – Employee benefits.

Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)	Notes*	2018	2017 <sup>1</sup>
Net profit		56 310	40 822
Depreciation and impairment of PP&E and intangible assets	2,3	49 607	49 374
Change in provisions	13	336	–8 850
Other non-cash items		1 118	–777
Share-based payments	18	7 382	4 891
Exchange rate differences	20	2 529	96
Financial income	20	–73	–35
Financial expenses	20	3 661	3 994
Income taxes	6	13 854	17 042
Income of associated companies	4	38	8
Net result on disposal of property, plant and equipment		187	–
Change in net working capital:			
Trade receivables		–27 274	–33 734
Other current assets and accruals		–4 487	–4 091
Inventories		19 849	1 241
Trade payables		–1 406	14 313
Other current liabilities and accruals		2 651	8 925
Payments out of provisions and pension liabilities		–6 581	–6 521
Income taxes paid		–11 700	–2 066
Cash flow from operating activities		106 001	84 632
Purchase of property, plant and equipment	2	–58 779	–51 918
Proceeds from disposal of property, plant and equipment		9	545
Purchase of intangible and other assets	3	–1 274	–922
Acquisition of Group companies	2, 3, 27	–4 754	–
Investments in financial fixed assets	5	2 895	14
Interest received		38	23
Dividend received		36	12
Cash flow from investing activities		–61 829	–52 246
Free cash flow <sup>2</sup>		45 956	32 337
Capital increase		2 025	1 371
Change in financial liabilities	12	10 000	9 024
Change in other non-current liabilities		–166	–448
Purchase/Disposal of treasury shares, net		–29 439	–19 894
Interest paid and bank charges		–10 390	–12 241
Dividend to the shareholders of Siegfried Holding AG		–9 964	–7 831
Cash flow from financing activities		–37 934	–30 019
Net change in cash and cash equivalents		6 238	2 367
Cash and cash equivalents 1/1/		34 137	31 636
Net effect of exchange rate changes on cash		–495	344
Cash and cash equivalents 31/12/		39 880	34 137

\* The Notes on pages 56–64 are an integral part of the Group Financial Statements.  
<sup>1</sup> Restatement see accounting policies – Employee benefits.  
<sup>2</sup> Calculation Free Cashflow: Operating Cashflow +/- Investment in PPE +/- Investment in Intangible Assets.

Consolidated Statement of Changes in Equity

The share capital of Siegfried Holding AG increased from CHF 8.42 million to CHF 8.51 million as a result of the issue of shares under employee benefit programmes. It is divided into 4 256 749 registered shares each with a nominal value of CHF 2 (2017: 4 210 915 registered shares), see Note 11.

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.

In prior year RAG-Stiftung Beteiligungsgesellschaft mbh exercised its conversion right on the privately place hybrid convertible loan amounting to CHF 60 million effective October 2, 2017. The conversion did not require an increase in the share capital of Siegfried Holding AG, because it was serviced by the company's treasury shares.

In 1000 CHF	Share capital	Treasury shares	Capital reserves	Hybrid capital	Value fluctuations of financial instruments <sup>1</sup>	Accumulated profits <sup>1</sup>	Offset Goodwill <sup>1,2</sup>	Cumulative translation adjustments <sup>1</sup>	Total equity
As of January 1, 2017	8 333	–51 787	75 699	315 985	161	537 898	–159 200	–66 353	660 736
Restatement pension liability prior year <sup>3</sup>	–	–	–	–	–	–6 189	–	–	–6 189
Opening balance January 1, 2017 after restatement <sup>3</sup>	8 333	–51 787	75 699	315 985	161	531 709	–159 200	–66 353	654 547
Net profit <sup>3</sup>	–	–	–	–	–	40 822	–	–	40 822
Dividends	–	–	–7 831	–	–	–	–	–	–7 831
Change in hybrid capital	–	–	–	–60 000	–	–8 021	–	–	–68 021
Changes in financial instruments	–	–	–	–	740	–	–	–	740
Employee share plan	–	–	–	–	–	–260	–	–	–260
Change in treasury shares	–	30 186	–	–	–	9 881	–	–	40 067
Capital increase	89	–	6 325	–	–	–	–	–	6 414
Currency translation differences	–	–	–	–	–	–	–	1 310	1 310
As of December 31, 2017 <sup>3</sup>	8 422	–21 601	74 193	255 985	901	574 131	–159 200	–65 043	667 787
Net profit	–	–	–	–	–	56 310	–	–	56 310
Dividends	–	–	–9 964	–	–	–	–	–	–9 964
Change in hybrid capital	–	–	–	–	–	–6 900	–	–	–6 900
Changes in financial instruments	–	–	–	–	–1 424	–	–	–	–1 424
Employee share plan	–	–	–	–	–	–5 432	–	–	–5 432
Change in treasury shares	–	–34 538	–	–	–	5 099	–	–	–29 439
Capital increase	92	–	15 556	–	–	–	–	–	15 648
Transfer	–	–	–117	–	–	117	–	–	–
Currency translation differences	–	–	–	–	–	–	–	–7 809	–7 809
As of December 31, 2018	8 514	–56 139	79 668	255 985	–523	623 324	–159 200	–72 852	678 777

<sup>1</sup> In the Consolidated Balance Sheet these items are disclosed as retained earnings.  
<sup>2</sup> For details refer to Note 3 Intangible Assets.  
<sup>3</sup> Restatement see accounting policies – Employee benefits.

# Notes to the Consolidated Financial Statements

## General Information

### Financial Statements

The financial reporting of the Siegfried Group complies with Swiss GAAP FER and the provisions of Swiss law. The Consolidated Financial Statements are based on historical costs, except for the revaluation of specific financial assets and liabilities, such as derivative financial instruments. As described in the following policies, they are valued at fair value. The Consolidated Financial Statements are prepared on a 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 1, 2019, for presentation to the General Meeting held on April 17, 2019.

### 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). 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 activities. 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.

## 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.

### 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. 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	2018	2017
1 USD	0.984	0.982
1 EUR	1.127	1.172
100 CNY	14.310	15.027

### Income Statement

Average rates	2018	2017
1 USD	0.979	0.985
1 EUR	1.155	1.112
100 CNY	14.800	14.570

### 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

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 trademarks	The shorter of economic or legal life, as a rule 5–20 years
Software	3–5 years



Impairment of Non-Financial Non-Current Assets and Intangible Assets

An assessment whether the value of non-financial non-current assets (PPE) and intangible 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.

An impairment loss recognized in a previous period should be partially or fully reversed if the factors determining the recoverable amount improved significantly. In such cases, the new carrying amount is the lower of the new determined recoverable amount and the carrying amount less depreciation as if an impairment loss had never been recognized. The reversal of impairment is to be debited to the operating result.

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. Raw materials are measured at the lower of acquisition or production cost and net recoverable value using the perpetual weighted average price method. Production costs comprise all manufacturing costs including an appropriate share of production overheads. They are measured at standard costs. 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 and Cash Equivalents

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, 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

The hybrid bonds are subordinated bonds with an indeterminate duration. Siegfried Holding AG can suspend the payment of interest if the business is achieving negative results. 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 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 and Deferred Income

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 and accrued revenue.

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. Abroad there are separate pension solutions in Germany for Siegfried PharmaChemikalien Minden GmbH, in France for Siegfried St. Vulbas SAS as well for the companies in the USA.

Pursuant to Swiss GAAP FER 16 economic liabilities and benefits of Swiss pension plans are determined on the basis of accounts drawn up in accordance with Swiss GAAP FER 26. The effective economic effects of all Group pension plans are calculated annually at the reporting date and the resulting liability or economic benefit 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 as Personnel Expenses.

Previously, all earnings effects of foreign pension plans, which resulted from a change in the discount rate and were reflected in the provisioning or discounting of the employee benefit obligations, were reported in the financial result. As part of an error correction, these expenses are shown as personnel expenses. In the past, the amount resulting from the change in the discount rate was recorded smoothly over a period of 7 years. This procedure was corrected in the context of the financial statements for 2018, there is no more smoothing of the discount rate changes. The adjustment was made by restatement for the previous year's figures.

The equity correction as at January 1, 2017 is CHF 6.2 million, see Statement of Changes in Equity – restatement pension liability. Net Income for 2017 restated increased by CHF 1.1 million (+2.8%) as a result of this error correction and the Operating Result decreased by CHF 2.7 million (–4.2%).

Share-Based Payments

For the members of managements a Long Term Incentive Plan (LTIP) exists. At the beginning of a vesting period of three-years the plan participants acquire a defined number of Performance Share Units (PSU). The valuation of the PSU is undertaken by an external company, which is specialized in the valuation of option and equity plans. The expenses are recognized as personnel expenses on an equal basis over the vesting period. After the three-year vesting period the plan participants are allocated between 0 and 2 shares per acquired PSU.

Further an Employee Share Purchase Plan exists that allows employees, which can not participate to the LTIP to buy shares at 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.

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 income taxes on potential future dividends out of retained earnings, as these sums are deemed permanently reinvested.

Net Sales, Services and Long-Term Contracts

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. Income from services is recognized on an accrual basis in accordance with the underlying service agreements.

Development projects and other long-term projects are recognized in accordance with Swiss GAAP FER 22 as long-term contracts. If all the conditions for the application of the PoCM are fulfilled, revenues and profit are realized in line with the progress of the contract; otherwise they are realized on completion of the contract (CCM – Completed Contract Method). The degree of completion is determined using the cost to cost method.

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 subsidiary companies in the Siegfried Group receive government grants. Government grants are recognized at fair value, only if there is a high probability that the conditions will be met. The grants are recognized in income in the periods, in which the company receives the grants. If the government grants relate to fixed assets, they are deducted in determining the carrying amount of the fixed assets. The grant is recognized as reduced depreciation over the working life of the depreciable fixed assets.

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.

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.

Risk Management

At a meeting on June 1, 2018, the Audit Committee decided to introduce a new concept for company-wide risk management. This is based on the ISO 31000 standard for risk management and is adjusted to the specific situation of the Siegfried Group. The new risk management concept is assessed annually and, if necessary, adjusted and improved.

Core targets of company-wide risk management

With this risk management concept, a well-established risk culture firmly anchored in the company, and clearly defined risk processes, we strive to increase transparency about the risks in the company, which allows us to avoid, transfer or, if worthwhile, carry risks.

Identification, evaluation and management

A risk register is used to assess and classify risks according to strategic, operational, financial and external effects. There is also an estimate of the likelihood of occurrence with the possible financial consequences. From this, the measures for the management of the identified risks are derived and also evaluated. The newly created Corporate Risk Committee monitors the aggregated risks for compliance with internal guidelines and processes and is in regular contact with the respective risk managers. The consolidated risk assessment is submitted to the Executive Committee, the Audit Committee and the Board of Directors for review. Reporting is accelerated in the event of new or changing risks.

At its strategy meeting on July 5 and 6, 2018, 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 23, 2018.

The Annual Report on the Internal Control System, including its assessment, was also approved at the meeting on November 23, 2018. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 19, 2018.

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 CNY.

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 credit-worthiness and the limitation of aggregated individual risks. In addition the investment of liquid funds is limited to a single credit institution.

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

Deferred tax benefits from unused tax losses and deductible temporary differences are considered to the extent to which it is probable that future profits will be earned, against which they can be used. Management assesses the capitalization of deferred tax assets on tax losses and tax credits on an annual basis based on the taxable profits expected for the next 5 years. The tax rates are based on the effective and expected tax rates applicable for the relevant companies.

At December 31, 2018, Siegfried had available unrecognized tax losses and tax credits of CHF 110.6 million (see 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 22.7 million would as a consequence be higher or lower (see Note 13).

1. Scope of Consolidation

GRI 102-45

The consolidation includes the following companies:

Group companies	Share capital	in LC	Participation
<b>Operating</b>			
Alliance Medical Products Inc., Irvine (USA)	116 521	USD	100.00%
Siegfried AG, Zofingen (Switzerland)	20 000 000	CHF	100.00%
Siegfried Evionnaz SA, Evionnaz (Switzerland)	1 000 000	CHF	100.00%
Siegfried Hameln GmbH, Hameln (Germany)	750 000	EUR	100.00%
Siegfried Malta Ltd, Valletta (Malta)	100 000	EUR	100.00%
Siegfried (Nantong) Pharmaceuticals Co. Ltd, Nantong (China)	422 296 722	CNY	100.00%
Siegfried Pharma AG, Zofingen (Switzerland)	1 000 000	CHF	100.00%
Siegried PharmaChemikalien Minden GmbH, Minden (Germany)	50 000	EUR	100.00%
Siegfried St. Vulbas SAS, Saint Vulbas (France)	15 200 000	EUR	100.00%
Siegfried USA, LLC, Pennsville (USA)	500 000	USD	100.00%
<b>Finance and administration</b>			
Siegfried Deutschland Holding GmbH, Hameln (Germany)	1 790 000	EUR	100.00%
Siegfried Deutschland Real Estate GmbH, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Finance AG, Zofingen (Switzerland)	14 000 000	CHF	100.00%
Siegfried GmbH, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Hameln Services GmbH, Hameln (Germany)	30 000	EUR	100.00%
Siegfried Holding AG, Zofingen (Switzerland)	8 513 498	CHF	100.00%
Siegfried Hong Kong Ltd, Hong Kong (China)	1 000	HKD	100.00%
Siegfried USA Holding Inc., Pennsville (USA)	3 000	USD	100.00%
<b>Joint venture</b>			
Alpine Dragon Pharmaceuticals Ltd, Huangyang, Gansu Province (China)	10 542 708	CNY	49.00%

The acquisition of the production facility of Arena Pharmaceuticals GmbH in Zofingen took place in the newly founded Siegfried Pharma AG in 2018, see Note 27. The share capital of Siegfried Holding AG increased in 2018 following the issue of shares out of the conditional capital under employee benefit programmes, see Note 11. In 2018 there were no other changes in the scope of Siegfried’s consolidation and the corresponding shareholdings.

2. Property, Plant and Equipment

In 1000 CHF	Land	Buildings and leashold improvements	Machinery and equipment	Assets under construction	Total
<b>Acquisition costs</b>					
As of January 1, 2017	23 800	312 738	961 386	109 334	1 407 258
Translation differences	405	9 705	34 567	1 071	45 748
Additions	105	1 687	9 829	40 525	52 145
Disposals	–209	–706	–5 654	–1	–6 570
Reclassifications	–	2 600	27 428	–30 713	–685
<b>As of December 31, 2017</b>	<b>24 101</b>	<b>326 024</b>	<b>1 027 556</b>	<b>120 216</b>	<b>1 497 897</b>
Translation differences	–189	–6 161	–20 653	–1 148	–28 151
Change in scope of consolidation	1 580	13 518	2 260	237	17 595
Additions	206	7 156	19 145	33 173	59 680
Disposals	–166	–318	–10 594	–5	–11 083
Reclassifications	331	4 692	18 136	–23 281	–122
<b>As of December 31, 2018</b>	<b>25 863</b>	<b>344 911</b>	<b>1 035 850</b>	<b>129 192</b>	<b>1 535 816</b>
<b>Accumulated depreciation and impairments</b>					
As of January 1, 2017	–	187 265	731 761	–	919 026
Translation differences	–	6 982	29 468	–	36 450
Depreciation charge	–	8 245	39 895	–	48 140
Disposals	–	–705	–5 223	–	–5 928
<b>As of December 31, 2017</b>	<b>–</b>	<b>201 787</b>	<b>795 901</b>	<b>–</b>	<b>997 688</b>
Translation differences	–	–3 882	–15 830	–	–19 712
Depreciation charge	–	9 805	38 326	–	48 131
Disposals	–	–318	–10 570	–	–10 888
<b>As of December 31, 2018</b>	<b>–</b>	<b>207 392</b>	<b>807 827</b>	<b>–</b>	<b>1 015 219</b>
<b>Net book value 31/12/2018</b>	<b>25 863</b>	<b>137 519</b>	<b>228 023</b>	<b>129 192</b>	<b>520 597</b>
<b>Net book value 31/12/2017</b>	<b>24 101</b>	<b>124 237</b>	<b>231 655</b>	<b>120 216</b>	<b>500 209</b>

At December 31, 2018, Land included CHF 2.6 million (2017: CHF 6.4 million) undeveloped property.  
As of December 31, 2018, commitments for the purchase of property, plant and equipment amounted to CHF 8.0 million (2017: CHF 5.1 million).



3. Intangible Assets

In 1000 CHF	Licenses, patents	Trademarks	Software	Others	Total
<b>Acquisition costs</b>					
As of January 1, 2017	12 212	8 004	10 912	4 908	36 036
Translation differences	–430	–218	53	139	–456
Additions	–	–	472	450	922
Disposals	–	–	–23	–	–23
Reclassification	–	–1 285	1 981	–11	685
<b>As of December 31, 2017</b>	<b>11 782</b>	<b>6 501</b>	<b>13 395</b>	<b>5 486</b>	<b>37 164</b>
Translation differences	26	15	–101	–281	–341
Change in scope of consolidation	–	–	1 543	–	1 543
Additions	–	–	375	901	1 276
Disposals	–	–	–126	–99	–225
Reclassification	–	–	122	–	122
<b>As of December 31, 2018</b>	<b>11 808</b>	<b>6 516</b>	<b>15 208</b>	<b>6 006</b>	<b>39 538</b>
<b>Accumulated amortization and impairments</b>					
As of January 1, 2017	7 830	7 988	10 651	519	26 988
Translation differences	–293	–217	26	24	–460
Amortization charge	648	–	484	102	1 234
Disposals	–	–	–23	–	–23
Reclassification	–	–1 270	1 271	–1	–
<b>As of December 31, 2017</b>	<b>8 185</b>	<b>6 501</b>	<b>12 409</b>	<b>644</b>	<b>27 739</b>
Translation differences	21	15	–76	–37	–77
Amortization charge	645	–	601	230	1 476
Disposals	–	–	–126	–99	–225
<b>As of December 31, 2018</b>	<b>8 851</b>	<b>6 516</b>	<b>12 808</b>	<b>738</b>	<b>28 913</b>
<b>Net book value 31/12/2018</b>	<b>2 957</b>	<b>–</b>	<b>2 400</b>	<b>5 268</b>	<b>10 625</b>
<b>Net book value 31/12/2017</b>	<b>3 597</b>	<b>–</b>	<b>986</b>	<b>4 842</b>	<b>9 425</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)	2018	2017
<b>Theoretical Goodwill</b>		
As of January 1	159 200	159 200
<b>As of December 31</b>	<b>159 200</b>	<b>159 200</b>
<b>Accumulated amortization</b>		
As of January 1	40 833	30 219
Amortization	10 614	10 614
<b>As of December 31</b>	<b>51 447</b>	<b>40 833</b>
<b>Theoretical Goodwill December 31</b>	<b>107 753</b>	<b>118 367</b>
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)	2018	2017
Operating Result according to Income Statement	76 280	61 918
Amortization of Goodwill	–10 614	–10 614
<b>Theoretical Operating Result incl. Amortization of Goodwill</b>	<b>65 666</b>	<b>51 304</b>
Net profit according to Income Statement	56 310	40 822
Amortization of Goodwill	–10 614	–10 614
<b>Theoretical net profit incl. amortization of Goodwill</b>	<b>45 696</b>	<b>30 208</b>
Equity according to Balance Sheet	678 777	667 787
Theoretical Capitalization of Goodwill (Net Book Value)	107 753	118 367
<b>Theoretical Equity incl. Net Book Value of Goodwill</b>	<b>786 530</b>	<b>786 154</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	2018	2017
Other non-current assets	579	3 483
<b>Total financial and other non-current assets</b>	<b>579</b>	<b>3 483</b>

In 2017 the other non-current assets include CHF 2.9 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	2018	2017
Current tax expense	6 647	2 944
Deferred tax expense	7 207	14 097
<b>Total income taxes</b>	<b>13 854</b>	<b>17 041</b>
In %	2018	2017
<b>Reconciliation of the Group's effective tax rate</b>		
Group's average expected tax rate	20.0	17.9
Effect of changes in tax rates /Reassessment of tax loss carry-forwards	–0.9	14.8
Non-recognition of tax loss carry-forwards	5.5	7.2
Effect of unrecognized tax loss carry-forwards used against taxable profits	–6.3	–5.7
Non-period income taxes	–2.0	–
Other items	3.4	–4.8
<b>Group's effective income tax rate</b>	<b>19.7</b>	<b>29.4</b>

In 2018 the effective tax rate based on earnings before taxes is 19.7% (2017: 29.4%).

In 1000 CHF	December 31, 2017	Change	December 31, 2018
<b>Deferred tax assets</b>	<b>34 645</b>	<b>–6 243</b>	<b>28 402</b>
<b>Deferred tax liabilities</b>	<b>6 948</b>	<b>1 611</b>	<b>8 559</b>

Deferred tax assets and liabilities are calculated using the tax rates currently applicable and applied to future taxation (CH 8.0%–21.5%, CN 25.0%, DE 30.0%, FR 25.25%, MT 35.0%, US 21.0%).  
Deferred tax assets consist of temporary differences and tax loss carry-forwards from individual subsidiaries. As of December 31, 2018, deferred tax assets were capitalized on CHF 50.9 million tax loss carry-forwards (2017: CHF 47.9 million).  
In addition the Group has available CHF 110.6 million unrecognized tax loss carry-forwards and tax credits (2017: CHF 134.3 million).

In 1000 CHF	2018	2017
<b>Expiry of unrecognized tax losses and tax credits</b>		
Within one year	882	1 657
Between one and five years	44 237	50 490
More than five years	65 450	82 136
<b>Total unrecognized tax losses and tax credits</b>	<b>110 569</b>	<b>134 283</b>

7. Inventories

In 1000 CHF	2018	2017
Raw materials	77 026	68 602
Semifinished goods	76 556	109 507
Finished goods and trading goods	73 964	70 185
<b>Total inventories</b>	<b>227 546</b>	<b>248 294</b>

The valuation allowances for inventory amount to CHF 16.6 million (2017: CHF 16.3 million) and are included in the figures above.

Produced intermediates are reported together with the work in process as semifinished goods, previously they were disclosed as finished goods and trading goods.

As of December 31, 2018, there are no work in process from PoCM orders. In prior year the position semifinished goods includes CHF 8.9 million from PoCM orders.

8. Trade Receivables

In 1000 CHF	2018	2017
Trade receivables	217 442	189 349
Allowances for doubtful accounts	-433	-189
<b>Total trade receivables</b>	<b>217 009</b>	<b>189 160</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.

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 2018 aggregating USD 45.0 million and EUR 22.0 million (2017: USD 42.7 million and EUR 30.0 million). In order to hedge interest risks on loans drawn down interest swaps were concluded, as of December 31, 2018 there exists no open interest swaps (2017: EUR 18.0 million). The changes in fair value of these foreign exchange contracts are recognized in the Financial Result and in equity depending on the underlying instrument.

In 1000 CHF	Contract value		Positive fair value		Negative fair value	
	2018	2017	2018	2017	2018	2017
Foreign currency swaps	69 080	77 076	477	296	-	-
Interest rate swaps	-	21 089	-	-	-	97
<b>Total</b>	<b>69 080</b>	<b>98 165</b>	<b>477</b>	<b>296</b>	<b>-</b>	<b>97</b>

10. Treasury Shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2018, the book value of the treasury shares was CHF 56.1 million (2017: CHF 21.6 million).

Treasury shares	December 31, 2017	Change	December 31, 2018
<b>Total treasury shares</b>	<b>68 591</b>	<b>70 621</b>	<b>139 212</b>
<b>Total Siegfried shares</b>	<b>4 210 915</b>	<b>45 834</b>	<b>4 256 749</b>
<b>Total outstanding shares</b>	<b>4 142 324</b>	<b>-24 787</b>	<b>4 117 537</b>

In 2018, 259 534 shares (2017: 184 337 shares) were acquired with an average price of CHF 393.1 (2017: CHF 236.6) and 188 913 shares (2017: 402 417 shares) sold for an average price of CHF 384.3 (2017: CHF 299.1).

11. Share Capital – Hybrid Capital – Conditional Capital

The share capital of Siegfried Holding AG increased from CHF 8.42 million to CHF 8.51 million as a result of the issue of shares under employee benefit programs. It is divided into 4 256 749 registered shares each with a nominal value of CHF 2 (2017: 4 210 915 registered shares).

The two public hybrid bonds issued by Siegfried Holding AG are subordinated loans with an indefinite maturity and interest payments by coupon. The hybrid bonds have a first call date after five years. If it is not exercised, the interest payable is increased (step up).

	Issue date	Nominal value	Interest	Call date
Hybrid bond 2015	26/10/2015	100 000	3.500%	26/10/2020
Hybrid bond 2016	26/10/2016	160 000	2.125%	26/10/2021

Siegfried Holding AG has at its disposal conditional capital of CHF 206 502 for the creation of 103 251 shares to serve the Long Term Incentive Plan (LTIP) and other employee benefit plans (2017: CHF 298 170 for 149 085 shares). In 2018, 45 834 shares were allocated for participation programs from conditional capital (2017: 44 324 shares).

Conditional capital (number of shares)	December 31, 2017	Change	December 31, 2018
Long Term Incentive Plan (LTIP) and other employee benefit plans	149 085	-45 834	103 251
<b>Total</b>	<b>149 085</b>	<b>-45 834</b>	<b>103 251</b>

12. Financial Liabilities

There is a syndicated credit agreement in the amount of CHF 200 million available for working capital financing. Additionally the syndicated credit agreement includes an accordion option in the amount of CHF 100 million.

The interest is based on the Libor or Euribor rate, plus an interest margin, which is dependent on a financial covenant of a maximum debt ratio. The second financial covenant includes a minimum equity ratio. The Siegfried Group fulfilled both covenants at the year-end. At December 31, 2018, the equivalent of CHF 110 million, including USD, was drawn down (2017: CHF 100.0 million, including USD).

13. Provisions

In 1000 CHF	Environmental provisions	Restructuring provisions	Other provisions	Total
As of January 1, 2017	32 987	-	1 787	34 774
Costs incurred	-2 475	-	-8	-2 483
Additions, interest	502	-	-	502
Releases of unused provisions	-8 687	-	-665	-9 352
Currency translation	387	-	40	427
<b>As of December 31, 2017</b>	<b>22 714</b>	<b>-</b>	<b>1 154</b>	<b>23 868</b>
Thereof current	6 263	-	654	6 917
Thereof non-current	16 451	-	500	16 951

As of January 1, 2018	22 714	-	1 154	23 868
Costs incurred	-1 268	-	-268	-1 535
Additions, interest	2 663	-	59	2 722
Change in scope of consolidation	-	16 900	-	16 900
Releases of unused provisions	-1 809	-	-577	-2 386
Currency translation	-47	-	-7	-54
<b>As of December 31, 2018</b>	<b>22 254</b>	<b>16 900</b>	<b>361</b>	<b>39 515</b>
Thereof current	6 396	3 900	302	10 598
Thereof non-current	15 858	13 000	59	28 917

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 22.3 million have been provided for (2017: CHF 22.7 million). 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 1.3 million (2017: 2.5 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 2% (2017: 2%) to the present value of the expected expenditures. The compounding amounted to CHF 0.2 million (2017: discount CHF 0.3 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments. Accordingly CHF 1.8 million environmental provisions were released (2017: CHF 8.7 million) and CHF 2.7 million were formed.

Restructuring provisions

As part of the integration of Siegfried Pharma AG, the product and customer portfolio will be renewed, which may lead to temporary capacity underutilization. The restructuring provision of CHF 16.9 million will be used for the measures required as part of the transformation.

Other provisions

The other provisions of CHF 0.4 million (2017: 1.2 million) cover costs for extension and demolition work in the amount of CHF 0.3 million (2017: CHF 0.9 million) and CHF 0.1 million for costs incurred in connection with product warranties (2017: CHF 0.3 million).

14. Other Non-Current Liabilities

Other non-current liabilities of CHF 1.4 million (2017: CHF 1.4 million) include liabilities arising from the BASF share transfer plan and long service awards.

15. Accrued Expenses and Deferred Income

Accrued expenses and deferred income amount to CHF 34.5 million (2017: CHF 44.9 million) and include mainly periodic accruals for personnel costs and social security charges and various expense and income accruals.

16. Other Current Liabilities

Other current liabilities of CHF 31.9 million (2017: CHF 19.2 million) comprise VAT liabilities and current employee liabilities amounting to CHF 29.7 million (2017: CHF 18.2 million) as well as customer prepayments of CHF 2.2 million (2017: CHF 1.0 million).

17. Employee Benefits and Personnel Expenses

In 1000 CHF	2018	2017 <sup>1</sup>
Wages and salaries	198 807	196 528
Share-based payments	7 382	4 891
Pension expense	12 767	13 110
Expenses for other long-term employee benefits	1 097	–457
Social and other personnel expenses	45 617	44 734
<b>Total personnel expenses</b>	<b>265 670</b>	<b>258 807</b>

<sup>1</sup> Restatement see accounting policies – Employee benefits.

In the year under review, the average number of employees (in full-time positions) was 2294 (2017: 2260).

Pension liabilities and economic benefits are as follows:

In 1000 CHF	Excess/ insufficient cover as per FER 26	Economic benefit/ obligation for the company	Change vs. PY or taken to the Income Statement in the FY <sup>1</sup>	Contributions	Pension expenses (personnel)	
	31/12/2018	31/12/2018	31/12/2017	31/12/2018	2018	2017 <sup>2</sup>
Pension institutions with surplus (CH)	55 712	10	12	2	7 944	8 137
Pension costs (CH)	–	–	–	–	–	–274
Pension plans without own assets (DE)	–128 587	–122 476	–128 587	–6 111	4 003	4 156
Pension plans without own assets (FR)	–1 609	–1 510	–1 609	–99	–	–209
Pension plans without own assets (USA)	–405	–499	–405	94	1 395	1 302
<b>Total</b>	<b>–74 889</b>	<b>–124 475</b>	<b>–130 589</b>	<b>–6 114</b>	<b>13 342</b>	<b>13 112</b>

<sup>1</sup> currency effects adjusted.

<sup>2</sup> Restatement see accounting policies – Employee benefits.

The employer contribution reserves are as follows:

In 1000 CHF	Nominal value	Waiver of usage	Other value adjustments	Balance Sheet asset	Result from ECR in personnel expenses
	31/12/2018	31/12/2018	31/12/2018	31/12/2017	2018
Pension schemes (CH)	8 617	–	–	9 222	605
<b>Total</b>	<b>8 617</b>	<b>–</b>	<b>–</b>	<b>9 222</b>	<b>605</b>

18. Share-Based Payments

For members of management a Long Term Incentive Plan (LTIP) exists. 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.

For the three current plan periods, the following personnel expenses, including social security charges, were recognized in 2018:

Plan period	Numbers of PSU	Fair Value (CHF)	Personnel expense (in 1000 CHF)
2016–2018	21 695	103.52	683
2017–2019	29 236	211.62	2 061
2018–2020	29 244	315.49	3 321

In addition to the Long Term Incentive Plan (LTIP) an equity plan for employees exists, which cannot participate in the LTIP (Employee Share Purchase Plan – ESPP). In 2018, total 9751 shares (2017: 9783 shares) were bought by employees. The total expense for the ESPP amounted in the reporting year to CHF 1.3 million (2017: CHF 0.9 million).

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 2018, 152 shares were allocated out of this share plan, which have been taken into account in the purchase price allocation (2017: 169 shares).



19. Other Operating Income

The Other Operating Income of CHF 6.7 million (2017: CHF 6.3 million) includes revenues from the sale of side products amounting to CHF 3.3 Mio. (2017: CHF 2.8 million), gains on the sale of fixed assets of CHF 0.0 million (2017: CHF 0.1 million) and miscellaneous other income of CHF 3.4 million (2017: CHF 3.4 million).

20. Financial Result

The Financial Result of CHF 6.1 million (2017: CHF 4.1 million) comprises CHF 3.7 million financial expense (2017: CHF 4.0 million), financial income of CHF 0.1 million (2017: CHF 0.0 million) and foreign exchange differences of CHF 2.5 million loss (2017: CHF 0.1 million loss).

The financial expense includes CHF 3.5 million (2017: CHF 3.7 million) for debt interest and fees and CHF 0.2 million for the compounding of the environmental reserve (2017: CHF 0.3 million).

In the context of the error correction regarding the recognition of interest effects from pension obligations of foreign plans, the financial result of the previous year has been adjusted accordingly, see explanations in the accounting principles – Employee benefits, Employee benefit plans.

21. 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.

	2018	2017 <sup>1</sup>
Net profit attributable to Siegfried shareholders (in 1000 CHF)	56 310	40 822
Weighted average number of shares outstanding	4 164 125	3 969 247
<b>Non-diluted earnings per share</b>	<b>13.52</b>	<b>10.28</b>
Net profit attributable to Siegfried shareholders (in 1000 CHF)	56 310	40 822
Weighted average number of shares outstanding	4 164 125	3 969 247
Adjustment for assumed exercise of share-based payments, where dilutive	133 286	123 684
<b>Diluted earnings per share</b>	<b>13.10</b>	<b>9.97</b>

<sup>1</sup> Restatement see accounting policies – Employee benefits.

Earnings per share are calculated excluding interest on hybrid bonds. Including interest expense attributable to hybrid equity holders, basic earnings per share are CHF 11.87 (2017: CHF 8.26) and diluted earnings per share are CHF 11.50 (2017: CHF 8.01).

22. Distribution per Share

For the financial year 2018 the Board of Directors proposes the distribution of CHF 2.60 per share from the capital contribution reserves (2017: CHF 2.40 per share). If this is approved by the Annual General Meeting on April 17, 2019, it will result in a total payment of CHF 10.7 million to the shareholders. The number of shares entitled for distribution may change by the time of the Annual General Meeting on April 17, 2019 (see proposal for the appropriation of retained earnings and the distribution from capital contribution reserves in financial statements of Siegfried Holding AG).

23. Commitments and Contingencies

As security for the liabilities in connection with the syndicated loan there is a guarantee in the amount of CHF 121.0 million (2017: CHF 104.5 million).

At December 31, 2017, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 5.0 million, EUR 2.75 million and USD 50.0 million (2017: CHF 5.0 million and EUR 1.75 million).

In 2015 a demand for claims for alleged unpaid work amounting to CNY 51.7 million on the construction of the site in Nantong was submitted to the Chines Arbitration Court CI-ETAC by a construction company. Siegfried has submitted a counterclaim on the construction company in the amount of CNY 73.2 million. Siegfried contests the claims of the construction company. The procedure was commenced in 2016 and is still pending. The outcome is currently open and the probability of an out flow of funds is considered to be low.

24. Maturity of Rental and Lease Liabilities

	Operating Leases	Operating Leases
In 1000 CHF	<b>2018</b>	2017
Due under 1 year	7 898	7 385
Due between 1 and 5 years	22 967	30 137
Due after 5 years	54 729	47 996
<b>Total lease liabilities</b>	<b>85 594</b>	<b>85 518</b>

Of these liabilities CHF 66.3 million (2017: 55.3 million) relate to the new administration buildings in Zofingen, as well as the other production sites as follows: Malta CHF 0.5 million (2017: CHF 1.3 million), Minden CHF 3.7 million (2017: CHF 12.1 million), Hameln CHF 3.6 million (2017: CHF 4.3 million) and Irvine CHF 11.2 million (2017: CHF 12.3 million).

25. Transactions with Related Parties

The companies owned by Siegfried are listed in Note 1 “Scope of consolidation”. In 2018 no transactions with related parties took place (2017: CHF 0 million) and at the reporting date there were no receivables from or payables to related parties (2017: 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.

26. Net Sales

Net Sales by Product Group

In CHF million	2018	2017
Drug Substances	595.5	580.7
Drug Products	198.8	169.8
<b>Total net sales</b>	<b>794.3</b>	<b>750.5</b>

Net Sales by Foreign Currency

In CHF million	2018	2017
in CHF	226.2	244.0
in EUR	351.2	303.4
in USD	216.9	203.1
<b>Total net sales</b>	<b>794.3</b>	<b>750.5</b>

The Net Sales of CHF 794.3 million include CHF 2.4 million (2017: CHF 8.9 million) from long-term contracts under the PoCM.

27. Acquisitions

At the end of March 2018 Siegfried acquired the production facility for finished products (tablets and capsules) including all related employees and business contracts of Arena Pharmaceuticals GmbH in Zofingen.

The purchase price of CHF 4.8 million, including transaction costs, was paid in cash. The acquired balance sheet values showed the following fair values at the time of the acquisition, which were posted to the newly founded Siegfried Pharma AG, Zofingen:

In 1000 CHF	March 31, 2018
Inventories	2 886
Non-current assets	19 138
<b>Total assets</b>	<b>22 024</b>
Current liabilities	369
Non-current liabilities	16 900
Equity	4 755
<b>Total liabilities and equity</b>	<b>22 024</b>

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 on the audit of the Consolidated Financial Statements

**Opinion**  
We have audited the consolidated financial statements of Siegfried Holding AG and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (page 54 to 64) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

**Basis for opinion**  
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

The diagram consists of three overlapping circles arranged in a triangle. The top circle is labeled 'Materiality', the bottom-left circle is labeled 'Audit scope', and the bottom-right circle is labeled 'Key audit matters'. Arrows indicate a clockwise flow from Materiality to Audit scope, from Audit scope to Key audit matters, and from Key audit matters back to Materiality.

Overall Group materiality: CHF 3 500 000

We concluded full scope audit work at ten Group companies in four countries.

Our audit scope addressed 85% of the sales revenue and 78% of the assets of the Group.

Additionally, either specified audit procedures or a review were concluded at a further three group companies in two countries, which addressed a further 15% of the sales revenue and 11% of the assets of the Group.

As key audit matters, the following area of focus were identified:

- Impairment of property, plant and equipment

**Materiality**  
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 3 500 000
How we determined it	5% of profit before income taxes
Rationale for the materiality benchmark applied	We chose profit before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

**Audit scope**  
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. PwC audited all of the Group’s subsidiaries. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor included telephone conferences with the component auditors and an investigation of the risk analysis.

**Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority**  
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

Key audit matter

Property, plant and equipment is a significant item on the balance sheet (CHF 520.6 million or about 47% of total assets) of the Siegfried Group; the recoverability of these assets depends on expected future profits.

Property, plant and equipment is tested for impairment. For this, Management has to make significant assumptions concerning future growth. If indicators of impairment are identified, the Group calculates the recoverable amount. The tests are based on estimates of future cash flows, the underlying growth rate and the applied discount rate. Hence, the results of these tests are subject to a high degree of uncertainty.

Please refer to page 58/59 (Estimates, Assumptions and Accounting Judgements) and page 59 (Notes to the consolidated financial statements, 2 Property, plant and equipment) in the 2018 Annual Report.

How our audit addressed the key audit matter

We performed the following main audit procedures:

- We checked that the composition of the cash-generating unit complied with the definition according to Swiss GAAP FER.
- We conducted a critical examination of Management's assumptions and assessments relating to the impairment testing of property, plant and equipment. This included analysing whether the testing was based on the current forecasts approved by the Board of Directors.
- We examined the calculations of recoverable amounts in terms of consistency and correct methodical approach and we re-performed calculations. We performed plausibility checks of the appropriateness of the estimates of expected future growth mainly by comparing them with independent market forecasts using industry-specific information.
- We performed plausibility checks of the appropriateness of the applied discount rate by assessing the cost of capital of the company.

Our audit supports the amounts recognised by Management with regard to fixed assets.

**Responsibilities of the Board of Directors for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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



Thomas Illi  
Audit expert  
Auditor in charge



Andreas Kägi  
Audit expert

Basel, 1 March 2019





# Financial Statement

## of Siegfried Holding AG

### Balance Sheet of Siegfried Holding AG

In CHF (as of December 31)	2018	2017
<strong>Assets</strong>		
<strong>Current assets</strong>		
Cash and cash equivalents	785 022	3 260 128
Securities	10 003	10 006
Other current receivables due from third parties	45 082	34 614
Other current receivables due from Group companies	1 406 348	5 764 000
Accrued income and prepaid expenses	3 069 778	4 542 226
<strong>Total current assets</strong>	<strong>5 316 233</strong>	<strong>13 610 974</strong>
<strong>Non-current assets</strong>		
Loans to Group companies	527 211 128	539 182 241
Investments	203 490 189	202 490 189
<strong>Total non-current assets</strong>	<strong>730 701 317</strong>	<strong>741 672 430</strong>
<strong>Total assets</strong>	<strong>736 017 550</strong>	<strong>755 283 404</strong>
<strong>Liabilities and shareholders' equity</strong>		
<strong>Current liabilities</strong>		
Other short-term liabilities due from third parties	214 334	165 215
Other short-term liabilities due from Group companies	473 429	–
Accrued expenses and deferred income	4 896 501	5 266 953
<strong>Total short-term liabilities</strong>	<strong>5 584 264</strong>	<strong>5 432 168</strong>
<strong>Non-current liabilities</strong>		
Hybrid capital	260 000 000	260 000 000
<strong>Total long-term liabilities</strong>	<strong>260 000 000</strong>	<strong>260 000 000</strong>
<strong>Total liabilities</strong>	<strong>265 584 264</strong>	<strong>265 432 168</strong>
<strong>Shareholders' equity</strong>		
Share capital	8 513 498	8 421 830
Legal reserves	2 800 000	2 800 000
Reserves from capital contribution	108 882 927	103 290 961
Voluntary reserves	396 939 699	368 626 753
Treasury shares	–56 139 225	–21 601 253
Statutory retained earnings	9 436 387	28 312 945
<strong>Total shareholders' equity</strong>	<strong>470 433 286</strong>	<strong>489 851 236</strong>
<strong>Total liabilities and shareholders' equity</strong>	<strong>736 017 550</strong>	<strong>755 283 404</strong>

### Income Statement of Siegfried Holding AG

In CHF	2018	2017
<strong>Income</strong>		
Financial income	22 387 003	28 453 862
Service income	1 129 594	14 778 338
<strong>Total income</strong>	<strong>23 516 597</strong>	<strong>43 232 200</strong>
<strong>Expenses</strong>		
Personnel expense	108 582	173 901
Administrative expense	3 232 227	2 925 236
Financial expense	9 709 739	11 747 234
Taxes	1 029 662	71 524
Depreciation on non-current assets	–	1 360
<strong>Total expenses</strong>	<strong>14 080 210</strong>	<strong>14 919 255</strong>
<strong>Net profit</strong>	<strong>9 436 387</strong>	<strong>28 312 945</strong>

# 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). 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 syndicated loan there is a guarantee in the amount of CHF 121.0 million (2017: CHF 104.5 million). At December 31, 2018, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 5.0 million, EUR 2.75 million and USD 50.0 million (2017: CHF 5.0 million and EUR 1.75 million).

## Balance Sheet

### Investments

As of December 31, 2018, Siegfried Holding AG held the following direct or significant indirect investments:

Group companies	in LC	Participation	Share capital 2018	Share capital 2017
<b>Operating</b>				
Alliance Medical Products Inc., Irvine (USA)	USD	100.00%	116 521	116 521
Siegfried (Nantong) Pharmaceuticals Co. Ltd, Nantong (China)	CNY	100.00%	422 296 722	422 296 722
Siegfried AG, Zofingen (Switzerland)	CHF	100.00%	20 000 000	20 000 000
Siegfried Evionnaz SA, Evionnaz (Switzerland)	CHF	100.00%	1 000 000	1 000 000
Siegfried Hameln GmbH, Hameln (Germany)	EUR	100.00%	750 000	750 000
Siegfried Malta Ltd, Valletta (Malta)	EUR	100.00%	100 000	100 000
Siegfried Pharma AG, Zofingen (Switzerland)	CHF	100.00%	1 000 000	–
Siegfried PharmaChemikalien Minden GmbH, Minden (Germany)	EUR	100.00%	50 000	50 000
Siegfried St. Vulbas SAS, Saint Vulbas (France)	EUR	100.00%	15 200 000	15 200 000
Siegfried USA, LLC, Pennsville (USA)	USD	100.00%	500 000	500 000
<b>Finance and administration</b>				
Siegfried Deutschland Holding GmbH, Hameln (Germany)	EUR	100.00%	1 790 000	1 790 000
Siegfried Deutschland Real Estate GmbH, Hameln (Germany)	EUR	100.00%	25 000	25 000
Siegfried Finance AG, Zofingen (Switzerland)	CHF	100.00%	14 000 000	14 000 000
Siegfried GmbH, Hameln (Germany)	EUR	100.00%	25 000	25 000
Siegfried Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	EUR	100.00%	25 000	25 000
Siegfried Hameln Services GmbH, Hameln (Germany)	EUR	100.00%	30 000	30 000
Siegfried Hong Kong Ltd, Hong Kong (China)	HKD	100.00%	1 000	1 000
Siegfried USA Holding Inc., Pennsville (USA)	USD	100.00%	3 000	3 000
<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 direct interest of more than 20%. The investments are valued at acquisition cost less valuation allowances.

The non-current loans to Group companies were granted to finance investments in fixed assets and in other operating projects and activities and decreased in 2018 by CHF 12.0 million.

### Current Assets

Cash and cash equivalents 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.

### Shareholders’ Equity

The share capital of Siegfried Holding AG increased from CHF 8.42 million to CHF 8.51 million as a result of the issue of shares under employee benefit programmes. It is divided into 4 256 749 registered shares each with a nominal value of CHF 2 (2017: 4 210 915 registered shares). The legal reserves left unchanged by CHF 2.8 million. The reserve from capital contribution increased net CHF 5.6 million to CHF 108.9 million (2017: CHF 103.3 million), influenced by CHF 10.0 million paid distribution form reserve from capital contribution in 2018 and CHF 15.6 million capital increase of conditional capital. The treasury shares are shown as a negative balance in equity.

### Conditional Capital

The conditional capital to serve the Long Term Incentive Plans (LTIP) and other employee share plans amounts after the creation of 45 834 shares to CHF 206 502 for 103 251 shares (2017: CHF 298 170 for 149 085 shares).

### Treasury Shares

In the reporting year Siegfried Holding AG has made purchases and sales of Siegfried shares. On balance, the inventory increase by 70 621 shares (2017: decrease by 218 080 shares). The shares are valued at the average rate.

CHF	Number of shares	Average prices
<b>At January 1, 2017</b>	<b>286 671</b>	<b>180.9</b>
Purchases 2017	184 337	236.6
Sales 2017	–402 417	299.1
<b>At December 31, 2017</b>	<b>68 591</b>	<b>314.9</b>
Purchases 2018	259 534	393.1
Sales 2018	–188 913	384.3
<b>At December 31, 2018</b>	<b>139 212</b>	<b>403.3</b>

### Liabilities

There is a syndicated credit agreement in the amount of CHF 200 million available for working capital financing. Additionally the syndicated credit agreement includes an accordion option in the amount of CHF 100 million.

The interest is based on the Libor or Euribor rate, plus an interest margin, which is dependent on a financial covenant of a maximum debt ratio. The second financial covenant includes a minimum equity ratio. The Siegfried Group fulfilled both covenants at the year-end. At December 31, 2018, the syndicated loan was drawn down in the equivalent of CHF 110.0 million (2017 CHF 100.0 million, including USD).

The two public hybrid bonds issued by Siegfried Holding AG are subordinated loans with an indefinite maturity and interest payments by coupon. The hybrid bonds have a first call date after five years. If it is not exercised, the interest payable is increased (step up).

	Issue date	Nominal value	Interest	Call date
Hybrid bond 2015	26/10/2015	100 000	3.500%	26/10/2020
Hybrid bond 2016	26/10/2016	160 000	2.125%	26/10/2021

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, 2018, 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 2018, 2583 shares with a value of CHF 0.9 million were distributed to the members of the Board of Directors. On December 31, 2018, the non-executive members of the Board of Directors and persons closely related to them owned 34 257 (2017: 31 674) registered shares of Siegfried Holding AG. This represents 0.8% (2017: 0.8%) 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 143 940 (2017: 117 398) registered shares, i.e. 3.4% (2017: 2.8%) of the share capital of Siegfried Holding AG.

December 31, 2018			
Board of Directors	Function	Number of shares	of which blocked
Dr. Andreas Casutt	Chairman	18 738	2 594
Martin Schmid	Vice-Chairman	1 297	1 297
Colin Bond	Member	2 797	1 297
Wolfram Carius	Member	2 297	1 297
Reto Garzetti	Member	7 831	1 297
Ulla Schmidt	Member	1 297	1 297
Executive Management			
Dr. Rudolf Hanko	CEO	86 080	–
Dr. Reto Suter	CFO	4 000	3 500
Dr. René Imwinkelried	Head Technical Operations and R&D	12 095	–
Arnoud Middel	Head HR Global	5 026	–
Marianne Späne	Head Business Development & Sales	22 531	–
Dr. Wolfgang Wienand	Head Strategy and M&A, Legal	14 208	–
December 31, 2017			
Board of Directors	Function	Number of shares	of which blocked
Dr. Andreas Casutt	Chairman	18 000	2 856
Martin Schmid	Vice-Chairman	928	928
Colin Bond	Member	2 428	1 428
Wolfram Carius	Member	1 928	1 428
Reto Garzetti	Member	7 462	1 428
Ulla Schmidt	Member	928	928
Executive Management			
Dr. Rudolf Hanko	CEO	75 000	–
Dr. Reto Suter	CFO	500	–
Dr. René Imwinkelried	Head Technical Operations and R&D	9 478	–
Arnoud Middel	Head HR Global	3 000	–
Marianne Späne	Head Business Development & Sales	18 576	–
Dr. Wolfgang Wienand	Head Strategy and M&A, Legal	10 844	–

Major Shareholders

In relation to the number of shares existing at year end of 4 256 479 (2017: 4 210 915), the following shareholders holds according to own statements of their numbers of shares more than 3.0% shares of Siegfried Holding AG.

- The Norges Bank (the Central Bank of Norway), Oslo, Norwegen, holds 3.1% (2017: 3.4%).
- René Braginsky, Susanne Braginsky, David Braginsky, Zurich, Switzerland / Tel Aviv, Israel, hold 3.0% (2017: n/a).
- The Credit Suisse Funds AG, Zurich, Switzerland, holds 3.0% (2017: 4.7%).
- The Dimensional Holdings Inc, Wilmington, USA, holds 3.0% (2017: n/a).
- The RAG-Stiftung Beteiligungsgesellschaft mbH, Essen, Germany holds <3.0% (2017: 9.8%).
- Tweedy, Browne Company LLC, New York, USA, holds <3.0% (2017: 4.9%).
- The Kreissparkasse Biberach, Biberach, Germany (Bayerninvest Kapitalgesellschaft mbH, Munich), holds <3.0% (2017: 3.3%).

Net dissolution of hidden reserves

In the reporting period hidden reserves in the net amount of CHF 1 065 000 have been dissolved whereas in prior year there was a creation of CHF 3 178 000.

Events after the Reporting Period

No material events after the reporting period.



# Proposal of the Board of Directors to the Annual General Meeting of April 17, 2019, regarding Appropriation of the Retained Earnings and the Distribution from Reserves from Capital Contribution

In CHF	2018
Balance brought forward	–
Profit for the year	9 436 387
Statutory retained earnings	9 436 387
Appropriation of retained earnings to free reserves	–9 436 387
<b>Balance to be carried forward</b>	<b>–</b>
Reserves from capital contribution as of December 31, 2017	103 290 961
Distribution in 2018	–9 964 416
Capital increase	15 556 382
Total reserves from capital contribution as of December 31, 2018	108 882 927
Distribution of CHF 2.60 per registered share on 4 110 269 distribution-entitled shares	–10 686 699
<b>Reserves from capital contribution carried forward</b>	<b>98 196 228</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 will change up to the Annual General Meeting on April 17, 2019.

## Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

### Report on the audit of the Financial Statements

#### Opinion

We have audited the financial statements of Siegfried Holding AG which comprise the balance sheet as at 31 December 2018, and income statement and notes for the year then ended, including a summary of significant accounting policies.

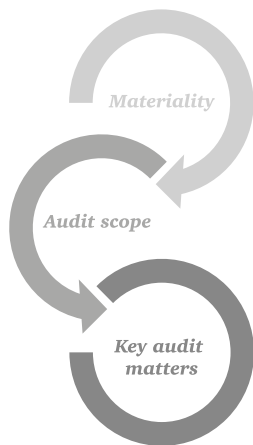
In our opinion, the financial statements (pages 66 to 69) as at 31 December 2018 comply with Swiss law and the articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach



Overall materiality: CHF 2 500 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 2 500 000
How we determined it	0.3% of total assets (rounded)
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because it is a generally accepted benchmark for materiality considerations relating to a holding company.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in Group companies

Key audit matter

Siegfried Holding AG holds investments in the companies listed in the notes to the financial statements.

The investments are tested for impairment. For this, Management has to make assumptions concerning future growth. If indicators of impairment are identified, Management calculates the value of the Group company concerned. The tests are based on estimates of future cash flows, the underlying growth rate and the applied discount rates. Hence, the results of these tests are subject to a high degree of uncertainty.

Please refer to page 67 of the notes to the financial statements for information on the accounting policies and the list of investments in Group companies.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

How our audit addressed the key audit matter

We performed the following main audit procedures:

- We conducted a critical examination of Management's assumptions and assessments relating to the impairment testing of investments in Group companies. This included analysing whether the testing was based on the current forecasts approved by the Board of Directors.
- We examined the calculations of company values in terms of consistency and correct methodical approach, and we reperformed calculations. We performed plausibility checks of the appropriateness of the estimates of expected future growth mainly by comparing them with independent market forecasts using industry-specific information.
- We performed plausibility checks of the appropriateness of the applied discount rate by assessing the cost of capital of the company.

Our audit supports the amounts recognised by Management with regard to investments in Group companies.

Report on other legal and regulatory requirements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Andreas Kägi  
Audit expert

Basel, 1 March 2019



# Information for Investors

## Key Figures Overview 2014–2018

Consolidated Figures<sup>1</sup>

		2018	2017 <sup>7</sup>	2016	2015	2014
Net sales	CHF million	794.3	750.5	717.7	480.6	315.3
Growth	in %	5.8	4.6	49.4	52.4	–15.9
EBITDA	CHF million	125.9	111.3	96.7	77.1	58.8
Growth	in %	13.1	15.1	25.5	31.1	–10.4
EBITDA margin	in %	15.8	14.8	13.5	16.0	18.6
Operating profit (EBIT)	CHF million	76.3	61.9	46.7	43.4	34.0
Growth	in %	23.2	32.6	7.6	27.6	–16.7
Operating margin	in %	9.6	8.3	6.5	9.0	10.8
Annual result	CHF million	56.3	40.8	27.9	39.1	38.6
Net profit margin	in %	7.1	5.4	3.9	8.1	12.2
Net cash/(net debt)	CHF million	–70.1	–65.9	–59.5	–177.3	–85.2
Net Working Capital <sup>2</sup>	CHF million	373.0	365.1	342.3	314.2	147.9
As % of net sales		47.0	48.7	47.7	40.5	41.6
Total assets	CHF million	1 103.1	1 071.0	1 021.4	1 003.9	629.6
Equity	CHF million	678.8	667.8	660.7	492.7	382.8
Equity ratio	in %	61.5	62.4	64.7	49.1	60.8
Market capitalization <sup>3</sup>	CHF million	1 383.0	1 342.0	826.0	769.0	650.0
Average capital employed <sup>4</sup>	CHF million	880.5	833.9	818.0	562.0	384.7
Return on capital employed (average) ROCE <sup>5</sup>	in %	14.3	13.3	11.8	13.7	15.3
Cash flow from operating activities	CHF million	106.0	84.6	57.1	23.1	24.6
As % of net sales		13.3	11.3	8.0	4.8	7.8
Free cash flow	CHF million	46.0	32.3	–11.1	–66.3	–57.3
As % of net sales		5.8	4.3	–1.5	–13.8	–18.2
Investments in PPE and intangible assets	CHF million	60.1	52.8	68.4	95.0	82.0
As % of net sales		7.6	7.0	9.5	19.8	26.0
Depreciation and amortization/impairment	CHF million	49.6	49.4	50.0	33.7	24.8
As % of net sales		6.2	6.6	7.0	7.0	7.9
Employees (number of FTEs) <sup>6</sup>	Number	2 294	2 260	2 315	2 238	1 374
Change vs. previous year	in %	1.5	–2.4	3.4	62.9	49.8
Sales per employee	CHF	346 189	332 065	310 034	291 600	316 500
Change vs. previous year	in %	4.3	7.1	6.3	–7.9	–22.6

<sup>1</sup> All numbers after special effects.  
<sup>2</sup> Calculation of Net Working Capital: Trade Receivables + Inventories – Trade Payables – Customer Prepayments.  
<sup>3</sup> Calculated on the number of listed shares, net of treasury shares.  
<sup>4</sup> Calculation of Capital Employed over twelve months: PPE + Intangible Assets + Net Working Capital.  
<sup>5</sup> Calculation ROCE: EBITDA in relation to average capital employed over twelve months.  
<sup>6</sup> Year-end values.  
<sup>7</sup> Restatement see accounting policies – Employee benefits.



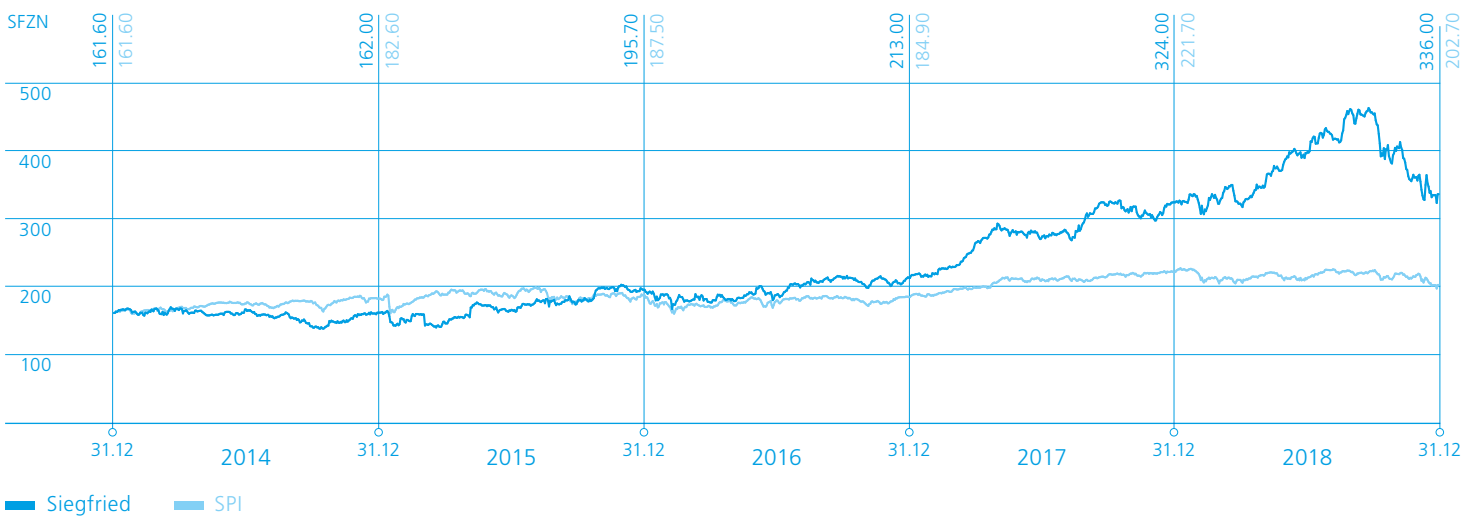
Stock Market Data

			2018	2017 <sup>6</sup>	2016	2015	2014
Registered shares nom. CHF 2			4 256 748	4 210 915	4 166 591	4 150 000	4 150 000
Share capital		CHF million	8.5	8.3	8.3	8.3	8.3
Gross dividend per registered share		CHF	2.60	2.40	2.00	1.80	1.50
Total dividend paid		CHF	10 686 699 <sup>1</sup>	9 942 072	7 759 840	6 997 641	5 984 997
Market prices registered share	high	CHF	469.5	327.0	216.9	206.2	171.0
	low	CHF	304.0	213.3	165.7	139.5	139.0
Year-end		CHF	336.0	324.0	213.0	195.7	162.0
Dividend yield per registered share		%	0.7	0.7	0.9	0.9	0.9
Earnings per share – EPS – non-diluted <sup>2</sup>		CHF	13.52	10.28	7.18	9.89	9.97
Earnings per share – EPS – diluted <sup>3</sup>		CHF	13.10	9.97	7.04	9.76	9.92
Consolidated operating cash flow per registered share <sup>2</sup>		CHF	25.4	21.3	14.7	5.8	8.6
Consolidated equity and reserves per registered share <sup>2</sup>		CHF	162.7	169.3	170.0	124.6	99.0
P/E ratio (year-end) <sup>4</sup>			26	32	30	20	16
Market capitalization at year-end <sup>5</sup>		CHF million	1 383	1 342	826	769	650

<sup>1</sup> Basis shares entitled to a dividend in accordance with the profit appropriation proposal 2018.  
<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.  
<sup>5</sup> Calculated on the number of listed shares, net of treasury shares.  
<sup>6</sup> Restatement see accounting policies – Employee benefits.

Share Price Development

from January 1, 2014, to December 31, 2018



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 2019 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.

Shareholder Base

As of December 31, 2018, 4 109 shareholders were registered in the share registry of Siegfried Holding AG, representing a shareholding of 64.25.% of the total share capital. The distribution of the shares among the shareholders was as follows:

Number of shareholders at December 31, 2018	Shareholders	Shares	%
1–10	512	3 190	0.07
11–100	2 372	118 968	2.79
101–1000	1 024	313 077	7.35
1001–10 000	161	496 100	11.65
10 001–100 000	35	1 012 039	23.77
100 001–1 000 000	5	791 411	18.59
	4 109	2 734 785	64.25
Treasury shares and non-registered shares	n.a	1 521 964	35.75
<b>Total shares</b>		<b>4 256 749</b>	<b>100.00</b>

Shareholdings by segment as of December 31, 2018, was as follows:

Holdings by segment as of December 31, 2018	Shareholders	No. of shares per category	%
Significant shareholders (>3%)	4 <sup>1</sup>	682 011	16.02
Individuals	3 790	669 460	15.73
Institutional investors	315	1 383 314	32.50
Own shares and non-registered shares	–	1 521 964	35.75
<b>Total shares</b>	<b>4 109</b>	<b>4 256 749</b>	<b>100.00</b>

<sup>1</sup> According to SIX disclosure notifications; excluding own shares.

# 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.



**Siegfried AG Hauptsitz**  
Untere Bruehlstrasse 4  
4800 Zofingen  
Switzerland

1



**Siegfried USA, LLC**  
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USA

2



**Siegfried Malta Ltd**  
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Hal Far BBG 3000  
Malta

3



**Siegfried Irvine**  
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Irvine, CA 92618  
USA

4



**Siegfried (Nantong) Pharmaceuticals Co. Ltd.**  
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Nantong City, Jiangsu Province  
P.R.C (post code: 226017)  
China

5



**Siegfried Hameln**  
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Germany

6



**Siegfried PharmaChemikalien  
Minden GmbH**  
Karlstraße 15  
32423 Minden  
Germany

7



**Siegfried Evionnaz SA**  
Route du Simplon 1,36  
1902 Evionnaz  
Switzerland

8



**Siegfried St. Vulbas SAS**  
Parc Industriel de la Plaine de l'Ain  
530 Allée de la Luye  
01150 Saint Vulbas  
France

9

Sites:  
1 Zofingen  
2 Pennsville  
3 Hal Far  
4 Irvine

5 Nantong  
6 Hameln  
7 Minden  
8 Evionnaz  
9 St. Vulbas









## About this Annual Report

In addition to highlighting Siegfried’s business performance and its position concerning assets, finances and earnings, this report throws light on the company’s commitment concerning sustainability and its interaction with society and the various stakeholders. They are to gain a comprehensive and differentiated understanding of how Siegfried incorporates these issues into its corporate strategy and of progress achieved in this regard in the course of the year. The report appears in English and German language.

**Scope**  
We report on the 2018 financial year ending 31 December 2018. The future-oriented topics dealt with in the report represent an exception. Siegfried’s Annual Report appears annually and was last published in March 2018, both in a printed version and as PDF on our corporate website. The next report will come out in the spring of 2020.

**Governance**  
Our statement concerning Governance describes the principles of management and the control of the Siegfried Group. Essentially, the Siegfried Group’s corporate governance follows the Swiss Code of Best Practice and is subject to regular reviews and further development by the Board of Directors. Any deviations from these guidelines find mention in the report.

**Principles of accounting**  
The Siegfried Group’s financial reporting is carried out in accordance with the entire guidelines of Swiss GAAP FER and the provisions of the Swiss law.

**External validation**  
PricewaterhouseCoopers AG (PwC) as auditors reviewed Siegfried Holding AG’s Compensation Report for the financial year ending 31 December 2018 and came to the conclusion that it corresponds with the law and with article 14 to 16 of the Ordinance against excessive remuneration for listed stock corporations. The process of sustainability reporting was supported by BSD Consulting, a consulting company specialized in the management of sustainability issues.

**Sustainability Report in Accordance with GRI Standards**  
This report has been prepared in accordance with the GRI Standards: Core option. Furthermore, for the present annual report, the GRI Materiality Disclosures Service was carried out and the accuracy of the GRI references 102–40 to 102–49 confirmed. Please refer to the detailed GRI content index on the Internet at [report.siegfried.ch](http://report.siegfried.ch).

## 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.

## Calendar

In 2019, the company will inform about the course of business as follows:

**March 7, 2019**  
Publication of results for the 2018 business year at a media and analyst conference in Zurich

**April 17, 2019**  
Annual General Meeting of Shareholders  
10 a.m., Stadtsaal Zofingen

**August 21, 2019**  
Publication of 2019 half-year financial results

## Publisher’s Note

This Annual Report is also available in German, being the original version.

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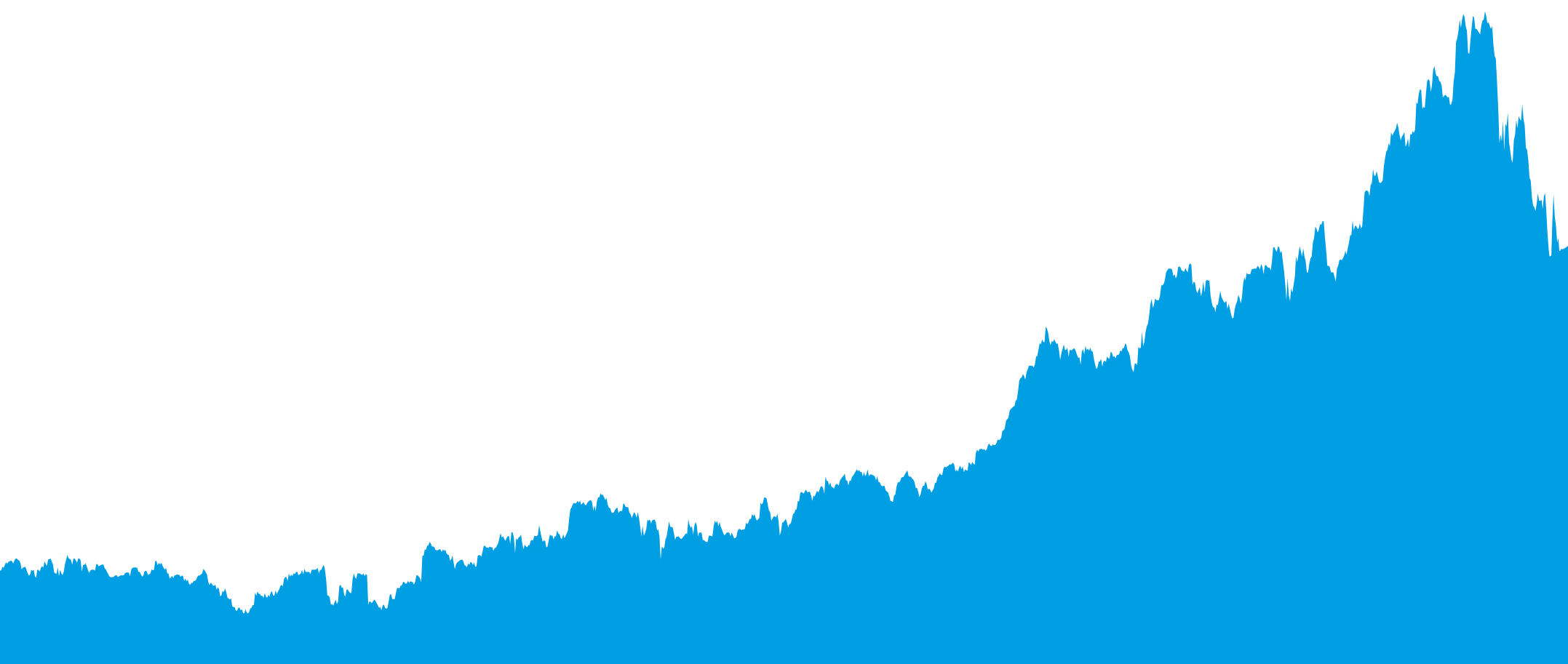
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This Annual Report is also available online at [report.siegfried.ch](http://report.siegfried.ch)

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 at nine sites in six countries. The Siegfried Holding AG, headquartered in Zofingen (Switzerland), is listed on the Swiss Exchange (SIX:SFZN).



Siegfried share price development  
31 December 2013–31 December 2018

Share Price 2013	Share Price 2018	Increase
161.6 CHF	336.0 CHF	107.9 %
<small>Siegfried share as of 31 December 2013</small>	<small>Siegfried share as of 31 December 2018</small>	<small>Change Period 2013–2018</small>