

# Financial Report 2021

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Siegfried Holding AG

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Information  
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# Financial Report

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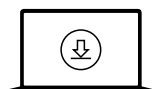
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This is an excerpt of Siegfried's Annual Report 2021.  
All chapters of Siegfried's Annual Report 2021 can be  
downloaded at [report.siegfried.ch](https://report.siegfried.ch).

# Key Figures Overview

	2021	2020	Change CHF (LC)
Net sales (million CHF)	1 102.4	845.1	+30.5% (+30.3%)
Core gross profit (million CHF)	239.3	177.5	34.8%
Core gross profit margin (%)	21.7%	21.0%	
Core results <sup>1</sup>			
Core EBITDA (million CHF)	207.2	149.4	38.8%
Core EBITDA margin (%)	18.8%	17.7%	
Core EBIT (operating result) (million CHF)	124.4	94.3	32.0%
Core EBIT margin (%)	11.3%	11.2%	
Core net profit (million CHF)	95.3	72.5	31.4%
Core net profit-margin (%)	8.6%	8.6%	
Non-diluted core earnings per share (CHF)	22.66	17.50	29.5%
Diluted core earnings per share (CHF)	21.95	16.90	29.9%
Cash flow from operating activities (million CHF)	119.7	114.8	4.3%
Free cash flow (million CHF)	6.5	45.7	-85.8%
Investment in property, plant and equipment and intangible assets (million CHF)	113.4	69.1	64.0%
	<b>December 31, 2021</b>	December 31, 2020	Change
Equity (million CHF)	688.2	733.2	-6.1%
Total assets (million CHF)	1 669.2	1 242.3	34.4%
Equity ratio (%)	41.2%	59.0%	
Employees (number of FTEs)	3 432	2 532	35.5%

<sup>1</sup> For more information and reconciliation of Swiss GAAP FER to Core Results see Financial Report "Investor Information", pages 61-63.

# Financial Commentary 2021

## Profitable growth and increase in margins

Siegfried continued to grow profitably in the 2021 business year, increasing net sales to 1102.4 million Swiss francs. This is the first time in its long history that the Group has achieved sales of more than one billion Swiss francs.

The two important foreign currencies, the euro and the US dollar, moved in different directions against the Swiss franc in the year under review: the euro, which gained in importance with the acquisition in Spain, appreciated slightly against the Swiss franc. The US dollar, on the other hand, depreciated against the Swiss franc. Overall, the effect was small but slightly positive. In local currency, the growth compared to the previous year was +30.3%, in Swiss francs 30.5%.

Core gross profit increased to 239.3 million Swiss francs, corresponding to a slight improvement in the core gross profit margin from 21.0% in the previous year to 21.7% in the year under review.

Core EBITDA (CHF 207.2 million, +38.8%), Core EBIT (CHF 124.4 million, +32.0%) and Core net profit (CHF 93.6 million, +29.0%) developed very positively. Core EBITDA and Core EBIT again grew relatively stronger than sales compared to the previous year. This was reflected accordingly in an increase in margins: the core EBITDA margin was 18.8% (previous year: 17.7%). The core EBIT margin (11.3%) also increased compared to the previous year (11.2%).

Siegfried has introduced the core Metrics with the presentation of the half-year results in 2019. The core results exclude extraordinary expenses and income in a transparent and easy to understand way enabling the market participants to better understand the company's operational performance and allowing a better comparison across periods. Siegfried is using the core results in addition to the Swiss GAAP FER results as important indicators for the internal assessment of the performance of the group. In the current year 2021, the reported results are corrected for technical and non-cash effects from an interest rate change effect on the value of pension obligations from foreign pension plans, extraordinary effects from changes in the Swiss tax law, integration costs related to the acquisition in Spain and restructuring costs. All expenses in connection with the cyber attack and the fraudulent payments were not corrected in the Core figures. These are fully included in the Core figures.

## Strong Growth of core Gross Profit Margin and core EBITDA

Sales of 1102.4 million Swiss francs are composed of 656.0 million Swiss francs Drug Substance and 446.4 million Swiss francs Drug Product sales. Both businesses contributed to the growth, although Drug Products growth was significantly higher due to the acquisition of the two pharmaceutical manufacturing sites in Spain and the vaccines business.

Core gross profit increased to 239.3 million Swiss francs. The core gross profit margin increased to 21.7%.

Core marketing and distribution costs were slightly higher than in the previous year at 16.3 million Swiss francs. In research and development, an important area for Siegfried, costs of 40.4 million Swiss francs were incurred, an increase in absolute terms compared to the previous year, but practically at the previous year's level in relation to sales. Administration and general costs at core level amounted to CHF 62.2 million, higher than the previous year.

Other income was slightly higher than the previous year at 4.1 million Swiss francs.

In total, Core EBITDA amounted to 207.2 million Swiss francs, which corresponds to a Core EBITDA margin of 18.8% and a significant increase of +38.8% compared to the previous year.

## Higher Core Net Profit

Core financial expenses were slightly higher than in the previous year at 4.9 million Swiss francs. This was due to the new senior bonds placed in May 2021, which are carried as debt in contrast to the repaid hybrid bond, and the syndicated loan, which was more heavily utilized as a result of the acquisition. It results in a significantly higher core net profit of 95.3 million Swiss francs, an increase of 31.4% compared to the previous year.

## Operating Cashflow, Free Cashflow and Cashflow from Financing Activities

At 210.7 million Swiss francs, operating cash flow before changes in net working capital was significantly above the previous year's level (153.4 million Swiss francs). In the area of net working capital, trade accounts receivable and also trade accounts payable developed favorably in the year under review; there was an increase in inventories, in particular from the build-up of safety stocks. In total, cash flow from operating activities amounted to 119.7 million Swiss francs, a slight increase of 4.3% compared to the previous year.

As announced, investments in property, plant and equipment and intangible assets were higher than in the previous year at 113.4 million Swiss francs. This results in a free cash flow of 6.5 million Swiss francs.

In May 2021, the company successfully placed senior bonds in the amount of 200 million Swiss francs on the Swiss capital market. The bonds were issued with a maturity of 5 years and a coupon of 0.20%. The issuance was for general corporate purposes, including the early refinancing of the hybrid bond of 160 million Swiss francs, which was repaid on October 26, 2021.

## Other Financial Key Figures

At year-end, Siegfried had CHF 72.6 million in cash and cash equivalents. Outstanding loans amounted to CHF 480 million. Thus, net debt amounted to 407.4 million Swiss francs. At the end of the year, net debt in relation to core EBITDA was 1.97. The equity ratio was 41.2%. Thus, even after the latest acquisition, the Siegfried Group continues to have the necessary debt capacity to finance further growth steps.

## Proposal of Par Value Repayment to the General Assembly

At the Annual General Meeting on April 13, 2022, the Board of Directors will propose to the Shareholders to reduce the par value of a share from 21.20 Swiss Francs by 3.20 Swiss Francs to 18.00 Swiss Francs and to distribute the amount of the reduction in par value of 3.20 Swiss Francs instead of a dividend.



Dr. Reto Suter  
Chief Financial Officer

# Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2021	2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	789 321	534 627
Intangible assets	3	6 973	6 660
Investments in associated companies and joint ventures	4	327	340
Financial and other non-current assets		592	582
Employer contribution reserves	18	9 979	9 581
Deferred tax assets	5	35 800	39 483
<b>Total non-current assets</b>		<b>842 992</b>	<b>591 273</b>
<b>Current assets</b>			
Inventories	6	364 655	272 432
Trade receivables	7	267 028	257 122
Other current assets	8	65 930	48 248
Accrued income and prepaid expenses	9	49 583	14 213
Current income taxes		5 543	4 021
Securities		345	30
Derivative financial instruments	10	460	525
Cash and cash equivalents		72 621	54 413
<b>Total current assets</b>		<b>826 166</b>	<b>651 004</b>
<b>Total assets</b>		<b>1 669 158</b>	<b>1 242 277</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Share capital	12	93 196	105 295
Treasury shares	11	-78 696	-66 257
Capital reserves		85 594	55 251
Hybrid capital		80 000	237 530
Retained earnings		508 123	401 365
<b>Total equity</b>		<b>688 217</b>	<b>733 183</b>
<b>Non-current liabilities</b>			
Non-current financial liabilities	13	480 000	139 968
Non-current provisions	14	28 618	13 527
Deferred tax liabilities	5	10 970	9 130
Other non-current liabilities	15	59 584	1 338
Non-current pension liabilities	18	130 977	151 546
<b>Total non-current liabilities</b>		<b>710 149</b>	<b>315 509</b>
<b>Current liabilities</b>			
Trade payables		119 932	68 962
Other current liabilities	17	63 689	73 065
Accrued expenses and deferred income	16	52 645	36 076
Derivative financial instruments	10	-	233
Current pension liabilities	18	456	440
Current provisions	14	14 199	7 381
Current income tax liabilities		19 871	7 428
<b>Total current liabilities</b>		<b>270 792</b>	<b>193 585</b>
<b>Total liabilities</b>		<b>980 941</b>	<b>509 094</b>
<b>Total liabilities and equity</b>		<b>1 669 158</b>	<b>1 242 277</b>

\* The Notes on pages 11–41 are an integral part of the Group Financial Statements.

# Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2021	2020
Net sales	29	1 102 423	845 062
Cost of goods sold		-862 853	-668 866
<b>Gross profit</b>		<b>239 570</b>	<b>176 196</b>
Marketing and sales costs		-16 288	-15 934
Research and development costs		-40 669	-31 200
Administration and general overhead costs		-54 683	-52 059
Other operating income	20	4 058	2 416
Income of associated companies		-35	-27
<b>Operating result</b>		<b>131 953</b>	<b>79 392</b>
Financial income	21	86	328
Financial expenses	21	-4 161	-3 050
Exchange rate differences	21	-1 351	-2 640
<b>Profit before income taxes</b>		<b>126 527</b>	<b>74 030</b>
Income taxes	5	-30 928	-13 163
<b>Net profit</b>		<b>95 600</b>	<b>60 867</b>
Non-diluted earnings per share (CHF)	23	22.73	14.68
Diluted earnings per share (CHF)	23	22.03	14.18

\* The Notes on pages 11–41 are an integral part of the Group Financial Statements.



# Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)	Notes*	2021	2020
<b>Net profit</b>		<b>95 600</b>	<b>60 867</b>
Depreciation and impairment of PP&E and intangible assets	2,3	82 816	55 072
Change in provisions	14	-247	-1 317
Other non-cash items <sup>1</sup>		-17 646	12 225
Share-based payments		13 756	8 001
Exchange rate differences	21	1 351	2 640
Financial income	21	-86	-328
Financial expenses	21	4 161	3 050
Income taxes	5	30 928	13 163
Income of associated companies	4	35	27
Net result on disposal of property, plant and equipment		6	-26
<b>Cash flow from operating activities before change in NWC</b>		<b>210 674</b>	<b>153 374</b>
Change in net working capital:			
Trade receivables		8 262	-15 184
Other current assets and accruals		-42 060	-7 531
Inventories		-60 334	-19 417
Trade payables		32 840	-16 798
Other current liabilities and accruals		-11 573	35 564
Payments out of provisions and pension liabilities		-10 189	-6 054
Income taxes paid		-7 870	-9 186
<b>Cash flow from operating activities</b>		<b>119 749</b>	<b>114 767</b>
Purchase of property, plant and equipment	2	-113 100	-68 762
Proceeds from disposal of property, plant and equipment		135	105
Purchase of intangible and other assets	3	-297	-374
Proceeds from disposal of intangible assets		-	11
Acquisition of Group companies	2, 3, 22	-136 529	-
Investments in financial fixed assets		-309	-
Interest received		19	322
Dividend received		68	6
<b>Cash flow from investing activities</b>		<b>-250 013</b>	<b>-68 692</b>
<b>Free cash flow</b>		<b>6 487</b>	<b>45 746</b>
Capital increase		1 065	1 109
Increase of hybrid capital <sup>2</sup>	12	-	80 015
Decrease of hybrid capital <sup>2</sup>	12	-160 000	-100 000
Increase of non-current financial liabilities <sup>2</sup>	13	755 032	421 259
Decrease of non-current financial liabilities <sup>2</sup>	13	-415 000	-416 291
Change in other non-current liabilities		-2	-95
Purchase of treasury shares		-12 660	-3 855
Disposal of treasury shares		437	23 356
Interest paid and bank charges		-7 479	-9 811
Distribution to the shareholders of Siegfried Holding AG		-12 630	-11 622
<b>Cash flow from financing activities</b>		<b>148 763</b>	<b>-15 935</b>
<b>Net change in cash and cash equivalents</b>		<b>18 497</b>	<b>30 139</b>
Cash and cash equivalents 1/1/		54 413	25 443
Net effect of exchange rate changes on cash		-292	-1 168
Cash and cash equivalents 31/12/		72 621	54 413

\* The Notes on pages 11–41 are an integral part of the Group Financial Statements.

<sup>1</sup> Other non-cash effective changes include mainly the effect of the discount rate change on foreign pension plan obligations.

<sup>2</sup> Prior year figures adjusted from net to gross presentation.

# Consolidated Statement of Changes in Equity

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
<b>As of January 1, 2020</b>	<b>116 262</b>	<b>-77 005</b>	<b>48 818</b>	<b>255 985</b>	<b>-1 171</b>	<b>595 796</b>	<b>-159 200</b>	<b>-87 806</b>	<b>691 679</b>
Net profit	-	-	-	-	-	60 867	-	-	60 867
Distribution	-12 183	-	-	-	-	561	-	-	-11 622
Change in hybrid capital	-	-	-	-18 455	-	-7 782	-	-	-26 237
Changes in financial instruments	-	-	-	-	3 841	-	-	-	3 841
Employee share plan	-	-	-	-	-	-5 810	-	-	-5 810
Change in treasury shares	-	10 747	-	-	-	8 755	-	-	19 502
Capital increase	1 216	-	6 433	-	-	-	-	-	7 649
Currency translation differences	-	-	-	-	-	-	-	-6 687	-6 687
<b>As of December 31, 2020</b>	<b>105 295</b>	<b>-66 257</b>	<b>55 251</b>	<b>237 530</b>	<b>2 670</b>	<b>652 388</b>	<b>-159 200</b>	<b>-94 493</b>	<b>733 183</b>
Net profit	-	-	-	-	-	95 600	-	-	95 600
Distribution	-13 188	-	-	-	-	558	-	-	-12 630
Change in hybrid capital	-	-	-	-157 530	-	-5 986	-	-	-163 516
Changes in financial instruments	-	-	-	-	-1 963	-	-	-	-1 963
Employee share plan	-	-	-	-	-	-16 611	-	-	-16 611
Change in treasury shares	-	-12 439	-	-	-	216	-	-	-12 223
Capital increase	1 089	-	30 343	-	-	-	-	-	31 432
Goodwill allocation	-	-	-	-	-	-	40 225	-	40 225
Currency translation differences	-	-	-	-	-	-	-	-5 280	-5 280
<b>As of December 31, 2021</b>	<b>93 196</b>	<b>-78 696</b>	<b>85 594</b>	<b>80 000</b>	<b>707</b>	<b>726 164</b>	<b>-118 975</b>	<b>-99 773</b>	<b>688 217</b>

<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.

The share capital of Siegfried Holding AG decreased due to repayment of par value to the shareholders in the amount of CHF 13.2 million and partially offset by the issue of shares under the employee benefit programmes of CHF 1.1 million, resulting in a net decrease of CHF 12.1 million. It is divided into 4 396 000 registered shares each with a par value of CHF 21.20 (2020: 4 351 000 registered shares each with a par value of CHF 24.20), see note 12.

In accordance with Art. 3.2.a. of the bond terms and conditions, Siegfried Holding AG has repaid its public hybrid bond, issued in 2016, in the amount of CHF 160 million, see note 12.

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

# Notes to the Consolidated Financial Statements

## General Information

### Financial Statements

The financial reporting of the Siegfried Group complies with Swiss GAAP FER and the provisions of Swiss law. The Consolidated Financial Statements are based on historical costs, except for the revaluation of specific financial assets and liabilities, such as derivative financial instruments. As described in the following policies, they are valued at fair value. The Consolidated Financial Statements are prepared on 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 February 18, 2022, for presentation to the General Meeting held on April 13, 2022.

### 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. Goodwill from business combinations represents the amount of the purchase price incl. acquisition costs, which exceeds the proportional actual value of the net identifiable assets of the acquired company at the time of purchase. In the case of acquisitions, potentially existing noncapitalized intangible assets such as brands, user rights or client lists are not recognized separately, but remain in goodwill.

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	2021	2020
1 USD	0.912	0.880
1 EUR	1.033	1.080
100 CNY	14.359	13.465

## Income Statement

Average rates	2021	2020
1 USD	0.914	0.939
1 EUR	1.081	1.070
100 CNY	14.171	13.606

## 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 privately placed hybrid bond has an optional conversion right to shares in Siegfried Holding AG. The hybrid bonds are 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 its own pension fund, the Pensionskasse Siegfried, Zofingen, legally autonomous foundation. 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, in Spain for Siegfried Barbera, S.L. and Siegfried El Masnou, S.A. as well for the companies in the USA.

The effective economic effects of all Group pension plans are calculated annually at the reporting date and the resulting liability or economic benefit recognized in the Balance Sheet. 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. For the valuation of foreign pension obligations actuarial reports are obtained that are based on dynamic models in line with the international accounting standards.

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.

### 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, under the terms of which employees were able to acquire rights to future bonus shares by purchase with their own funds. 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

The other operating income 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.

# Company-wide Risk Management

The company-wide risk management is based on the ISO 31000 standard for risk management and is adjusted to the specific situation of the Siegfried Group. The 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 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 8 to 10, 2021, the Board of Directors considered in depth the strategic projects and their inherent risks. When there were significant changes, it also requested relevant information at other meetings about risks associated with strategic projects and approved the implementation of any required actions. 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 26, 2021.

The Annual Report on the Internal Control System, including its assessment, was also approved at the meeting on November 26, 2021. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 22, 2021.

# 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.

### Market Value Risks

Changes in the market value of financial assets and derivative financial instruments can affect the financial position and net profit of the Group. Non-current financial investments, such as investments in subsidiaries, are held for strategic reasons. The Siegfried Group holds no financial investments for speculative purposes. Risks of loss in value are minimized by thorough analysis before purchase and by continuously monitoring the performance and risks of the investments.

## Liquidity Risks

The Group companies need to have sufficient access to cash to meet their obligations. The treasury department manages the raising of current and non-current debt. Centrally cash flow forecasting is performed by the operating entities of the Group and aggregated and monitored by Group Treasury.

## Credit Risks/Counterparty Risks

Credit risks arise from the possibility that the counter-party to a transaction may be unable or unwilling to meet their obligations, causing a financial loss to Siegfried. Trade receivables are subject to active risk management focusing on the monitoring and controlling of risks.

The credit risks on other financial assets are limited by the policy of restricting them to institutional partners. Where possible, the latter are controlled by an ongoing review of the classification of their creditworthiness and the limitation of aggregated individual risks. 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.

In the year under review, no indications were found that would impair the fair value of the net book values.

### **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, 2021, Siegfried had available unrecognized tax losses and tax credits of CHF 84.8 million (see note 5).

### **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 15.8 million would as a consequence be higher or lower (see note 14).

### **Pension obligations for foreign pension plans**

Foreign pension obligations are valued by means of external actuarial reports, except it is a contribution plan. The parameters related to the actuarial expert opinions such as discount rate, pension adjustment, increase in income and others are subject to a certain degree of judgement, as bandwidths exist. The management can define respectively adjust these parameters within these bandwidths.

# 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)	750 500	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 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%
Siegfried Barbara S.L., Barberà del Vallès (Spain)	503 000	EUR	100.00%
Siegfried El Masnou, S.A., El Masnou (Spain)	10 099 778	EUR	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 GmbH, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Holding AG, Zofingen (Switzerland)	93 195 200	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%

Siegfried Pharma AG, Zofingen became retrospectively with economic effect from January 1, 2021 merged into Siegfried AG, Zofingen.

As of January 1, 2021 Siegfried acquired from Novartis two pharmaceutical production plants in the Barcelona area, Spain.

The par value per share of Siegfried Holding AG was determined by resolution of the general meeting from April 22, 2021 from CHF 24.20 each to CHF 21.20 each. The share capital as at December 31, 2021 amounts to CHF 93.2 million and is divided into 4 396 000 registered shares with a par value of CHF 21.20 each (2020: 4 351 000 registered shares with a par value of CHF 24.20 each), see note 12.

All participations that are fully consolidated are 100% participations. As a result, there were no minorities from third parties at the end of the period as in the previous year.



## 2. Property, Plant and Equipment

In 1000 CHF	Land	Buildings and leasehold improvements	Machinery and equipment	Assets under construction	Total
<b>Acquisition costs</b>					
As of January 1, 2020	25 681	357 238	1 105 691	68 981	1 557 590
Translation differences	-40	-5 419	-15 537	-837	-21 833
Additions	1 285	1 620	16 902	57 246	77 053
Disposals	-	-123	-5 749	-	-5 872
Reclassifications	-	3 281	34 697	-38 080	-102
<b>As of December 31, 2020</b>	<b>26 926</b>	<b>356 597</b>	<b>1 136 004</b>	<b>87 310</b>	<b>1 606 837</b>
Translation differences	-1 177	-5 683	-18 410	-1 545	-26 815
Change in scope of consolidation	20 560	65 436	137 822	8 580	232 398
Additions	139	947	31 186	81 699	113 971
Disposals	-	-266	-14 128	-14	-14 408
Reclassifications	177	1 912	33 613	-35 929	-227
<b>As of December 31, 2021</b>	<b>46 625</b>	<b>418 943</b>	<b>1 306 087</b>	<b>140 101</b>	<b>1 911 756</b>
<b>Accumulated depreciation and impairments</b>					
As of January 1, 2020	-	213 223	825 989	-	1 039 212
Translation differences	-	-3 285	-11 065	-	-14 350
Depreciation charge	-	9 072	44 057	-	53 129
Disposals	-	-113	-5 668	-	-5 781
<b>As of December 31, 2020</b>	<b>-</b>	<b>218 897</b>	<b>853 313</b>	<b>-</b>	<b>1 072 210</b>
Translation differences	-	-3 482	-13 297	-	-16 779
Depreciation charge	-	14 549	66 468	-	81 017
Disposals	-	-266	-13 747	-	-14 013
<b>As of December 31, 2021</b>	<b>-</b>	<b>229 698</b>	<b>892 737</b>	<b>-</b>	<b>1 122 435</b>
<b>Net book value 31/12/2021</b>	<b>46 625</b>	<b>189 245</b>	<b>413 349</b>	<b>140 101</b>	<b>789 321</b>
<b>Net book value 31/12/2020</b>	<b>26 926</b>	<b>137 700</b>	<b>282 691</b>	<b>87 310</b>	<b>534 627</b>

At December 31, 2021, Land included CHF 2.6 million (2020: CHF 2.6 million) undeveloped property.

As of December 31, 2021, commitments for the purchase of property, plant and equipment amounted to CHF 14.5 million (2020: CHF 16.1 million).

## 3. Intangible Assets

In 1000 CHF	Licenses, patents	Trademarks	Software	Others	Total
<b>Acquisition costs</b>					
As of January 1, 2020	11 612	6 397	16 191	6 026	40 226
Translation differences	-938	-586	-246	-161	-1 931
Additions	-	235	63	76	374
Disposals	-	-	-218	-	-218
Reclassification	-	-	102	-	102
<b>As of December 31, 2020</b>	<b>10 674</b>	<b>6 046</b>	<b>15 892</b>	<b>5 941</b>	<b>38 553</b>
Translation differences	350	221	-96	312	787
Change in scope of consolidation	-	-	1 291	-	1 291
Additions	-	-	177	120	297
Disposals	-	-	-185	-	-185
Reclassification	-	-	227	-	227
<b>As of December 31, 2021</b>	<b>11 024</b>	<b>6 267</b>	<b>17 306</b>	<b>6 373</b>	<b>40 970</b>
<b>Accumulated amortization and impairments</b>					
As of January 1, 2020	9 342	6 397	14 855	1 165	31 759
Translation differences	-776	-572	-226	-27	-1 601
Amortization charge	573	22	898	449	1 942
Disposals	-	-	-207	-	-207
<b>As of December 31, 2020</b>	<b>9 139</b>	<b>5 847</b>	<b>15 320</b>	<b>1 587</b>	<b>31 893</b>
Translation differences	293	214	-56	39	490
Amortization charge	398	33	925	443	1 799
Disposals	-	-	-185	-1	-186
<b>As of December 31, 2021</b>	<b>9 830</b>	<b>6 094</b>	<b>16 004</b>	<b>2 068</b>	<b>33 996</b>
<b>Net book value 31/12/2021</b>	<b>1 194</b>	<b>173</b>	<b>1 302</b>	<b>4 305</b>	<b>6 973</b>
<b>Net book value 31/12/2020</b>	<b>1 535</b>	<b>199</b>	<b>572</b>	<b>4 354</b>	<b>6 660</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 and the badwill resulted from the acquisition of the Novartis locations Barberà del Vallès and El Masnou 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)	2021	2020
<b>Theoretical goodwill</b>		
As of January 1	159 200	159 200
Badwill allocation	-40 225	-
<b>As of December 31</b>	<b>118 975</b>	<b>159 200</b>
<b>Accumulated amortization</b>		
As of January 1	72 675	62 061
Amortization	7 933	10 614
<b>As of December 31</b>	<b>80 608</b>	<b>72 675</b>
<b>Theoretical goodwill December 31</b>	<b>38 367</b>	<b>86 525</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/badwill 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)	2021	2020
Operating result according to income statement	131 953	79 392
Amortization of goodwill	-7 933	-10 614
<b>Theoretical operating result incl. amortization of goodwill</b>	<b>124 020</b>	<b>68 778</b>
Net profit according to income statement	95 600	60 867
Amortization of Goodwill	-7 933	-10 614
<b>Theoretical net profit incl. amortization of goodwill</b>	<b>87 667</b>	<b>50 253</b>
Equity according to balance sheet	688 217	733 183
Theoretical capitalization of goodwill (net book value)	38 367	86 525
<b>Theoretical equity incl. net book value of goodwill</b>	<b>726 585</b>	<b>819 708</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. Income Taxes

In 1000 CHF	2021	2020
Current tax expense	24 196	14 731
Deferred tax expense	6 732	-1 568
<b>Total income taxes</b>	<b>30 928</b>	<b>13 163</b>
Profit before income tax	126 527	74 030
<b>Group's effective income tax rate</b>	<b>24.4%</b>	<b>17.8%</b>

In 1000 CHF	2021	2020
<b>Average expected tax rate</b>	<b>21.8%</b>	<b>15.6%</b>
<b>Average expected income taxes</b>	<b>27 550</b>	<b>11 529</b>
Effects of changes in tax rates	-	-1 810
Non-recognition of tax loss carry-forwards	-177	3 473
Effect of unrecognized tax loss carry-forwards used against taxable profits	-416	-642
Income taxes from prior periods, net	999	233
Other effects	2 972	380
<b>Group's effective income taxes</b>	<b>30 928</b>	<b>13 163</b>
<b>Group's effective income tax rate</b>	<b>24.4%</b>	<b>17.8%</b>

In 2021 the Group's average expected tax rate is 21.8% (2020: 15.6%). The effective tax rate based on earnings before taxes is 24.4% (2020: 17.8%).

The legal adjustments in the location cantons of the Siegfried Group, which results from the Swiss tax reform have an impact on the expected Group tax rate. R&D credits can be deducted at some sites. The privileged taxation of Siegfried Holding AG was transferred to ordinary taxation on January 1, 2020. In this context, Siegfried Holding AG made use of the old law from the transitional regulation to the step up (existing law) by capitalizing its trademark rights in the tax balance sheet at the end of 2019.

In 1000 CHF	December 31, 2020	Change	December 31, 2021
<b>Deferred tax assets</b>	<b>39 483</b>	<b>-3 683</b>	<b>35 800</b>
<b>Deferred tax liabilities</b>	<b>9 130</b>	<b>1 840</b>	<b>10 970</b>

Deferred tax assets of about CHF 35.8 million consist of temporary differences and tax loss carry-forwards from individual subsidiaries. As of December 31, 2021, deferred tax assets were capitalized of CHF 5.8 million on tax loss carry-forwards (2020: CHF 5.9 million). The other deferred tax assets of CHF 30.0 million are mainly due to temporary differences on liabilities of foreign pension plans and the step up of trademark rights (2020: CHF 33.6 million).

Deferred tax assets and liabilities are calculated using the tax rates currently applicable and applied to future taxation (CH 11.4% – 16.9%, CN 25.0%, DE 30.0%, FR 25.9%, MT 35.0%, US 21.0%, ES 25.0%).

In 1000 CHF	2021	2020
<b>Expiry of unrecognized tax losses and tax credits</b>		
Within one year	16 199	5 389
Between one and five years	28 018	41 189
More than five years	40 604	58 334
<b>Total unrecognized tax losses and tax credits</b>	<b>84 821</b>	<b>104 912</b>

In addition the Group has available CHF 84.8 million unrecognized tax loss carry-forwards and tax credits (2020: CHF 104.9 million).

## 6. Inventories

In 1000 CHF	2021	2020
Raw materials	135 341	95 288
Semifinished goods	151 857	112 074
Finished goods and trading goods	77 458	65 071
<b>Total inventories</b>	<b>364 656</b>	<b>272 432</b>

The valuation allowances for inventory amount to CHF 20.2 million (2020: CHF 12.4 million) and are included in the figures above.

Produced intermediates are reported together with the work in process as semifinished goods.

As of December 31, 2021, there are CHF 3.1 million semifinished goods from PoCM orders booked in inventory (2020: CHF 3.2 million).

## 7. Trade Receivables

In 1000 CHF	<b>2021</b>	2020
Trade receivables	268 177	258 186
Allowances for doubtful accounts	-1 149	-1 064
<b>Total trade receivables</b>	<b>267 028</b>	<b>257 122</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.

In 1000 CHF	<b>2021</b>	2020
Not yet due	241 410	230 669
Due 0 - 3 months	20 062	26 398
Due >3 months	5 556	55
<b>Total trade receivables</b>	<b>267 028</b>	<b>257 122</b>

## 8. Other current assets

Other receivables of CHF 65.9 million (2020: CHF 48.2 million) are primarily composed of VAT receivables of CHF 38.4 million (2020: CHF 29.6 million) and from receivables from social insurance, advance payments to suppliers, receivables from environmental duties and precious metal deposit balances totalling CHF 7.9 million (2020: CHF 11.0 million). Furthermore, in 2021 a receivable of CHF 10.1 million from a provisional purchase price adjustment in connection with the acquisition of the Novartis companies has been recorded (see note 22).

## 9. Accrued income and prepaid expenses

Deferred income amounts to CHF 49.6 million (2020: CHF 14.2 million) and mainly includes periodic accruals for future services already paid. Furthermore, an accrual of CHF 25.2 million was recognized in 2021 for contractual receivables from the supply contract with Novartis.

## 10. 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 2021 aggregating USD 56.6 million and EUR 40.0 million (2020: USD 55.0 million and EUR –3.6 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	
	2021	2020	2021	2020	2021	2020
Foreign currency swaps	92 964	44 512	460	525	–	233
<b>Total</b>	<b>92 964</b>	<b>44 512</b>	<b>460</b>	<b>525</b>	<b>–</b>	<b>233</b>

## 11. Treasury Shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2020, the book value of the treasury shares was CHF 78.7 million (2020: CHF 66.3 million).

Treasury shares	December 31, 2020	Change	December 31, 2021
<b>Total treasury shares</b>	<b>169 389</b>	<b>16 078</b>	<b>185 467</b>
<b>Total Siegfried shares</b>	<b>4 351 000</b>	<b>45 000</b>	<b>4 396 000</b>
<b>Total outstanding shares</b>	<b>4 181 611</b>	<b>28 922</b>	<b>4 210 533</b>

In 2021, 16 599 shares (2020: 7227 shares) were acquired with an average price of CHF 762.70 (2020: CHF 533.70) and 521 shares (2020: 37 424 shares) sold for an average price of CHF 838.00 (2020: CHF 624.10).

## 12. Share Capital – Hybrid Capital – Conditional Capital

As of December 31, 2021 the share capital amounts to CHF 93.2 million and it is divided into 4 396 000 registered shares each with a par value of CHF 21.20 (2020: 4 351 000 registered shares each with a par value of CHF 24.20). The shares of Siegfried Holding AG increased by 45 000 shares as a result of the issue of shares from conditional capital for employee benefit programs. In addition the nominal value per share was reduced from CHF 24.20 each to CHF 21.20 each by resolution of the general assembly on April 22, 2021.

The two private hybrid convertible bonds issued by Siegfried Holding AG are subordinated bonds with an indefinite maturity and interest payments by coupon. The hybrid convertible bonds have a first call date after five years. If it is not exercised, the interest payable is increased (step up). Additionally there exists an optional right of conversion at a conversion price mathematically fixed, which can be exercised during the duration. The conversion price can change in accordance with the terms of the convertible bonds, in particular if the company makes dividend payments. The conversion is fully covered by treasury shares, i.e. without share capital increase (see Note 11).

Title	Issue Date	Nominal Value	Interest Rate	Call Date
Private Convertible Hybrid Bond 2020, 0.65%	28/12/2020	40 000	0.650%	28/12/2025
Private Convertible Hybrid Bond 2020, 1.15%	28/12/2020	40 000	1.150%	28/12/2025

In accordance with Art. 3.2.a. according to the bond terms and conditions, Siegfried Holding AG has repaid its subordinated public hybrid bond issued in 2016 in the amount of CHF 160 million on its own initiative and on the first repayment date, i.e. October 26, 2021. The repayment build-up corresponded to the nominal value of the bond of CHF 160 million based on the last coupon of 2.125%.

Siegfried Holding AG has 2021 at its disposal conditional capital of CHF 2 522 800 for the creation of 119 000 shares (par value of CHF 21.20) to serve the Long Term Incentive Plan (LTIP) and other employee benefit plans (2020: CHF 3 968 800 for 164 000 shares with a par value of CHF 24.20).

In 2021, 45 000 shares were allocated for participation programs from conditional capital (2020: 45 000 shares).

Conditional capital (number of shares)	December 31, 2020	Change	December 31, 2021
Long Term Incentive Plan (LTIP) and other employee benefit plans	164 000	-45 000	119 000
<b>Total</b>	<b>164 000</b>	<b>-45 000</b>	<b>119 000</b>

## 13. Financial Liabilities

The existing syndicated loan agreement in the amount of CHF 400 million was amended due to the discontinuation of Libor in October 2021.

Interest is now based on SARON (CHF), SOFR (USD) and Euribor (EUR, as before), plus an interest margin that depends on a financial covenant of a maximum debt ratio. The Siegfried Group fulfilled this covenant at the year end. At December 31, 2021, the syndicated loan was utilized in the amount of CHF 280.0 million (2020: CHF 140.0 million).

On May 19, 2021, Siegfried Holding AG placed a senior bond in the amount of CHF 200.0 million on the Swiss capital market. The bond was issued with a term of 5 years and a coupon of 0.20%. The bond was settled on June 15, 2021. The net proceeds were used for general corporate purposes, including the refinancing of the CHF 160 million hybrid bond.



## 14. Provisions

In 1000 CHF	Environmental provisions	Restructuring provisions	Other provisions	Total
As of January 1, 2020	21 644	2 525	306	24 475
Costs incurred	- 1 287	-960	-	-2 247
Additions, interest	143	-	38	181
Releases of unused provisions	-316	-1 040	-142	-1 498
Currency translation	-3	-	-0	-3
<b>As of December 31, 2020</b>	<b>20 181</b>	<b>525</b>	<b>202</b>	<b>20 908</b>
Thereof current	6 710	525	146	7 381
Thereof non-current	13 471	-	56	13 527
As of January 1, 2021	20 181	525	202	20 908
Costs incurred	-3 887	-1 847	-	-5 734
Additions, interest	284	299	-	583
Change in scope of consolidation	-	27 685	1 483	29 168
Releases of unused provisions	-801	-	-28	-829
Currency translation	1	-1 207	-73	-1 279
<b>As of December 31, 2021</b>	<b>15 778</b>	<b>25 455</b>	<b>1 584</b>	<b>42 817</b>
Thereof current	3 834	8 835	1 530	14 199
Thereof non-current	11 944	16 620	54	28 618

### Environmental provisions

The Siegfried Group produces chemical products 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 15.8 million have been provided for (2020: CHF 20.2 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.

Environmental assessments were prepared in connection with planned construction projects. In the reporting period costs for remediation incurred to CHF 3.9 million (2020: 1.3 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 2% (2020: 2%) to the present value of the expected expenditures. The compounding amounted to CHF 0.3 million (2020: discount CHF 0.2 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments. In the reporting year the review result in a release of CHF 0.8 million (2020: CHF 0.3 million).

## Restructuring provisions

The remaining restructuring provision of CHF 0.5 million at Siegfried Pharma AG, Zofingen was used in the reporting period.

With the recording of the net assets of the two Spanish production sites, provisions of CHF 27.7 million for restructuring measures already initiated before the acquisition, due to decreasing needs of the seller had to be recognised. It will not assumed that this could be compensated for with new business..

## Other provisions

Other provisions of CHF 1.6 million (2020: 0.2 million) include product warranties of CHF 0.1 million and a possible tax liability of CHF 1.5 million was recognised from the recording of the acquisition.

# 15. Other Non-Current Liabilities

Other non-current liabilities of CHF 59.6 million (2020: CHF 1.3 million) contains in addition to periodic accruals for personnel costs and social securities a liability of CHF 56.8 million in connection with the acquisition of the Novartis companies on January 1, 2021 (earn-out), see Note 22.

# 16. Accrued Expenses and Deferred Income

Accrued expenses and deferred income amount to CHF 52.6 million (2020: CHF 36.1 million) and include mainly periodic accruals for personnel costs and social security charges and various expense and income accruals.

# 17. Other Current Liabilities

Other current liabilities of CHF 63.7 million (2020: CHF 73.1 million) primarily consisting of VAT liabilities, precious metal obligations and current employee liabilities in the amount of CHF 26.5 million (2020: CHF 36.9 million), customer advance payments of CHF 12.7 million (2020: CHF 36.2 million), a liability of CHF 4.1 million in connection with the acquisition of the Novartis companies on January 1, 2021 (earn-out), see note 22 and a liability of CHF 8.0 million from the MSA with Novartis.

## 18. Employee Benefits and Personnel Expenses

In 1000 CHF	2021	2020
Wages and salaries	266 117	207 316
Share-based payments	13 756	8 001
Pension expense	769	19 792
Expenses for other long-term employee benefits	947	-90
Social and other personnel expenses	68 040	49 272
<b>Total personnel expenses</b>	<b>349 629</b>	<b>284 291</b>

In the year under review, the average number of employees (in full-time positions) was 3432 (2020: 2532).

The discount rate for the interest on pension liabilities in Siegfried PharmaChemikalien Minden GmbH (DE) increased by 40 basis points (2020: reduction of 30 basis points).

Pension liabilities and economic benefits are as follows:

In 1000 CHF	Excess/insufficient cover <sup>1</sup>	Economical part for the company		Change vs. PY or taken to the Income Statement in the FY <sup>2</sup>	Contributions	Pension expenses (personnel)	
		31/12/2021	31/12/2020			2021	2020
Pension institutions with surplus (CH)	71 344	9 979	9 581	-398	10 205	9 808	9 326
Pension plans without own assets (DE)	-143 253	-129 085	-149 756	-20 671	3 603	-11 227	9 089
Pension plans without own assets (FR)	-1 713	-1 623	-1 791	-168	22	-72	155
Pension plans without own assets (USA)	-456	-456	-440	16	1 520	1 520	1 222
Pension plans without own assets (SP)	-	-268	-	-819	1 548	740	-
<b>Total</b>	<b>-74 078</b>	<b>-121 453</b>	<b>-142 406</b>	<b>-22 040</b>	<b>16 898</b>	<b>769</b>	<b>19 792</b>

<sup>1</sup> For domestic institution, the reported value corresponds to the previous year's SWISS GAAP FER 26 financial statements, for foreign pension plans without own assets (DE, FR & USA), the reported value corresponds to the economical part for the company of the previous year converted using the 2021 year-end balance sheet rate.

<sup>2</sup> currency effects adjusted.

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	
					31/12/2021	31/12/2020
Pension schemes (CH)	9 979	-	-	9 581	9 581	-398
<b>Total</b>	<b>9 979</b>	<b>-</b>	<b>-</b>	<b>9 581</b>	<b>9 581</b>	<b>-398</b>

## 19. 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. The recognition of personnel expenses for the current plan periods is based on a performance factor of 1.

For the three current plan periods, the following personnel expenses, including social security charges, were recognized in 2020:

Plan period	Numbers of PSU	Fair Value (CHF)	Personnel expense (in 1000 CHF)
2019–2021	23 470	200.63	1 120
2020–2022	25 706	193.83	1 519
2021–2023	28 295	805.52	8 205
<b>Total</b>			<b>10 844</b>

In March 2021, the shares were transferred for the performance period 2018–2020. The target achievement and thus the performance factor was 162.8%, i.e. 1.628 shares were allocated per PSU, see Remuneration Report.

In addition to the Long Term Incentive Plan (LTIP) an equity plan exit for employees that are not able to participate in the LTIP (Employee Share Purchase Plan – ESPP). In 2021, total 2993 shares (2020: 4000 shares) were bought by employees. The total expense for Siegfried (share 30%) for the ESPP amounted in the reporting year to CHF 1.0 million (2020: CHF 0.3 million).

## 20. Other Operating Income

The Other Operating Income of CHF 4.1 million (2020: CHF 2.4 million) includes revenues from the sale of side products amounting to CHF 2.4 Mio. (2020: CHF 0.6 million) and miscellaneous other income of CHF 1.7 million (2020: CHF 1.8 million).

## 21. Financial Result

The Financial Result of CHF 5.4 million (2020: CHF 5.4 million) comprises CHF 4.2 million financial expense (2020: CHF 3.1 million), financial income of CHF 0.1 million (2020: CHF 0.3 million) and foreign exchange differences of CHF 1.4 million loss (2020: CHF 2.6 million loss).

The financial expense includes CHF 3.9 million (2020: CHF 2.9 million) for debt interest and fees and CHF 0.3 million for the compounding of the environmental reserve (2020: CHF 0.2 million).

## 22. Acquisitions

As of January 1, 2021 Siegfried has acquired from Novartis two pharmaceutical manufacturing facilities in Spain. The two sites located in the province of Barcelona with around 1000 employees are specialized in the production of sterile ophthalmic (El Masnou) as well as oral solid dosage forms (OSD) and capsules for inhalation devices (Barberà del Vallès).

The acquisition was financed in 2020 with the issuance of two privately placed hybrid convertible bonds totalling CHF 80 million and with the increase of existing credit facilities. There was no increase in the share capital.

The provisional purchase price was calculated as follows:

In 1000 CHF	January 1, 2021
Provisionally purchase price paid	135 812
Purchase price adjustment (Other accounts receivable)	-10 101
Earn-out	63 702
Transaction costs	3 073
<b>Provisionally purchase price</b>	<b>192 485</b>

In the coming years, further volume- and performance-related payments to the seller in the amount of up to CHF 65.9 million will be due. This earn-out will possibly take place in the period up to 2028 was divided into a current liability of CHF 4.3 million (see explanation 17) and a non-current liability of CHF 59.4 million (see note 15). It is Siegfried's intention to finance these liabilities from current operating cash flow.

In 1000 CHF	January 1, 2021
Provisionally purchase price	192 485
Net assets acquired	232 710
<b>Badwill</b>	<b>-40 225</b>

The provisional badwill of CHF 40.2 million resulting from the transaction was included in equity offset against goodwill.

In 1000 CHF	January 1, 2021
Provisionally purchase price paid	135 812
Transaction costs	3 073
Cash acquired	-2 356
<b>Cashflow acquisition Group companies</b>	<b>- 136 529</b>

The fair value of the identifiable assets and liabilities (purchase accounting) could not be finally determined as of December 31, 2021. Closing accounts are expected at a later date. From today's perspective, no significant adjustments to the final purchase price are expected.

Net assets as follows:

In 1000 CHF	January 1, 2021
Cash	2 352
Inventories	38 254
Accounts Receivable trade	17 596
Other current assets	718
Non-current assets	236 182
<b>Total assets</b>	<b>295 103</b>
Current liabilities	44 555
Non-current liabilities	17 837
Equity	232 710
<b>Total liabilities and equity</b>	<b>295 103</b>

## 23. 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.

	2021	2020
Net profit attributable to Siegfried shareholders (in 1000 CHF)	95 600	60 867
Weighted average number of shares outstanding	4 205 433	4 145 290
<b>Non-diluted earnings per share</b>	<b>22.73</b>	<b>14.68</b>
Net profit attributable to Siegfried shareholders (in 1000 CHF)	95 600	60 867
Weighted average number of shares outstanding	4 205 433	4 145 290
Adjustment for assumed exercise of share-based payments, where dilutive	134 661	147 253
<b>Diluted earnings per share</b>	<b>22.03</b>	<b>14.18</b>

Earnings per share are calculated excluding interest on hybrid bonds. Including interest expense attributable to hybrid equity holders, basic earnings per share are CHF 21.85 (2020: CHF 13.17) and diluted earnings per share are CHF 21.17 (2020: CHF 12.72).

## 24. Distribution per Share

At the Annual General Meeting on April 13, 2022, the Board of Directors will propose to reduce the par value from CHF 21.20 per share by CHF 3.20 to CHF 18.00 per share and to distribute the amount of the par value reduction of CHF 3.20 per share instead of a dividend (2020: par value reduction CHF 3.00 per share).

The repayment of the par value reduction is expected to take place in early July 2022 in accordance with capital reduction procedure in Switzerland under Swiss law.

## 25. Contingent Assets

In Siegfried has potential claims from contracts for payments in the maximum amount of CHF 45.1 million over the years 2022–2028. These claims are due upon achievement of certain agreed target values and will be settled once a year for a completed business year.

## 26. Commitments and Contingencies

In connection with the new syndicated loan, there is no guarantee at the end of the year (2020: none).

At December 31, 2021, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 20.0 million and EUR 3.8 million (2020: CHF 20.0 million and EUR 3.8 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 Chinese Arbitration Court CIETAC 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.

## 27. Maturity of Rental and Lease Liabilities

	Operating Leases	Operating Leases
In 1000 CHF	<b>2021</b>	2020
Due under 1 year	6 676	6 775
Due between 1 and 5 years	23 136	22 035
Due after 5 years	36 264	44 055
<b>Total lease liabilities</b>	<b>66 076</b>	<b>72 865</b>

Of these liabilities CHF 52.8 million (2020: 59.8 million) relate to the new administration buildings in Zofingen, as well as the other production sites as follows: Malta CHF 1.8 million (2020: CHF 0.3 million), Minden CHF 2.7 million (2020: CHF 2.7 million), Hameln CHF 0.6 million (2020: CHF 0.5 million) and Irvine CHF 8.2 million (2020: CHF 9.3 million).

## 28. Transactions with Related Parties

As in prior year no transaction with related parties took place in 2021 and at the reporting date there were no receivables from or payables to related parties.

Siegfried has its own pension funds in Switzerland.

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.

## 29. Net Sales

### Net Sales by Product Group

In CHF million	<b>2021</b>	2020
Drug Substances	656.0	647.8
Drug Products	446.4	197.2
<b>Total net sales</b>	<b>1 102.4</b>	<b>845.1</b>



## Net Sales by Foreign Currency

In CHF million	2021	2020
in CHF	322.4	313.1
in EUR	615.0	364.7
in USD	165.0	166.0
in other Currencies	0.1	1.3
<b>Total net sales</b>	<b>1 102.4</b>	<b>845.1</b>

The Net Sales of CHF 1102.4 million include CHF 10.3 million (2020: CHF 5.2 million) from long-term contracts under the PoCM.

## 30. 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.

## 31. Fraudulent Payments

Subsequent to period end of the Half Year 2021, fraudulent payments were detected at a subsidiary. An internal investigation has been launched and the case has been reported to the respective law enforcement authorities.

The internal investigation has been concluded in the meantime. Based thereon, a number of measures, including personnel measures, have been implemented.

The financial impact of the case is fully included in the financial statements 2021. The damage is, as reported in the Half Year Report 2021, in the high single digit CHF million range. Some proceedings, e.g. relating to reclaim procedures and insurance are still ongoing.

## 32. Post Balance Sheet Events

There are no other 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 2021 and 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 (pages 7 to 41) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 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.

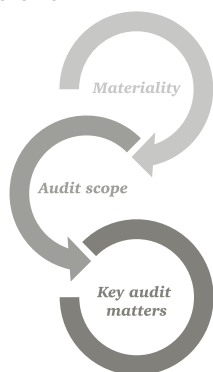
### Basis for Opinion

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

### Overview



Overall Group materiality: CHF 6 000 000

We concluded full scope audit work at nine Group companies in five countries.

Our audit scope addressed 93% of the sales revenue and 91% of the assets of the Group.

Additionally, either specified audit procedures or a review were concluded at a further four group companies in three countries, which addressed a further 7% of the sales revenue and 8% of the assets of the Group.

As key audit matters the following areas of focus have been identified:

Recoverability of inventories

Acquisitions

## 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 Group 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 6 000 000

Benchmark applied

Profit before taxes

Rationale for the materiality benchmark applied

We chose profit before tax 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.

## 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 to discuss essential and relevant audit issues.

## 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.

## Recoverability of Inventories

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### Key audit matter

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As of December 31, 2021, the net carrying value of inventories amounted to CHF 365 million. This corresponds to around 22% of total assets.

We consider the valuation of inventories to be a particularly important audit matter due to the amount of the balance sheet item and the discretion in determining the necessary value adjustments for inventories.

We refer to page 15 (accounting principles) and page 29 (appendix to the consolidated annual financial statements, note 6, inventories) in the 2021 annual report.

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### How our audit addressed the key audit matter

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We assessed the appropriateness of the processes in the area of the valuation of the inventories. In doing so, we identified the key controls and checked their effectiveness using random samples.

We compared the acquisition costs with the last purchase prices on a random basis.

We checked the standard cost calculation on a sample basis. We also assessed the variances between the standard and actual costs.

We checked randomly whether the calculation of the valuation allowances for non-curable inventories was mathematically correct and appropriate. We assessed whether the principle of loss-free valuation was complied with for inventories.

Our audit results support the valuation of inventories made by management as of December 31, 2021.

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## Acquisitions

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### Key audit matter

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Effective beginning of January, 2021, Siegfried has acquired two pharmaceutical production sites in Spain from Novartis. This is a significant acquisition. The accounting for this acquisition is influenced, among other things, by:

- The valuation of the assets and liabilities acquired at fair value at the date of acquisition
  - The fair value measurement of contingent payments
  - The accounting treatment of goodwill and acquisition costs.
- On these grounds, we consider this acquisition as a key audit matter.

We refer to page 24 (Note 1, Changes of scope of consolidation), Page 37 (Note 22, Acquisition)

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### How our audit addressed the key audit matter

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We mainly performed the following audit procedures: We obtained an understanding of the processes of the acquisition. Further, we analyzed the purchase agreement and further relevant agreements to identify conditions affecting the purchase price allocation and the purchase price.

We audited the opening balance sheets of the acquired businesses and assessed the appropriateness of the fair values for assets, liabilities and contingent payments. With the support of our own valuation specialists, we challenged the assumptions applied by management to identify and measure the fair values of assets.

Additionally, we evaluated the appropriateness of the accounting for this acquisition, of the resulting goodwill positions and of the disclosures in the consolidated financial statement.

Our audit procedures support the purchase price allocation made by management and its accounting as well as the disclosure of this acquisition.

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## 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, 18 February 2022



# Financial Statement of Siegfried Holding AG

# Balance Sheet of Siegfried Holding AG

In CHF (as of December 31)	2021	2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	49 665 574	38 921 845
Securities	315 984	10 003
Other current receivables due from third parties	11 056 054	48 809
Other current receivables due from Group companies	56 855 481	32 083 681
Accrued income and prepaid expenses	1 738 251	4 616 951
<b>Total current assets</b>	<b>119 631 343</b>	<b>75 681 290</b>
<b>Non-current assets</b>		
Loans to Group companies	722 462 916	674 123 540
Investments	403 160 539	182 990 188
<b>Total non-current assets</b>	<b>1 125 623 455</b>	<b>857 113 728</b>
<b>Total assets</b>	<b>1 245 254 798</b>	<b>932 795 017</b>
In CHF	2021	2020
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Other short-term liabilities due from third parties	5 475 567	631 544
Other short-term liabilities due from Group companies	61 459 368	39 501 552
Accrued expenses and deferred income	24 557 324	12 179 284
Short-term provisions	9 090 184	–
Short-term hybrid capital	–	160 000 000
<b>Total short-term liabilities</b>	<b>100 582 444</b>	<b>212 312 381</b>
<b>Non-current liabilities</b>		
Long-term interest-bearing liabilities third parties	480 000 000	139 968 000
Long-term financial liabilities due from Group companies	5 372 120	8 117 040
Other long-term liabilities to third parties	56 791 573	–
Long-term provisions	17 272 953	–
Long-term hybrid capital	80 000 000	80 000 000
<b>Total long-term liabilities</b>	<b>639 436 646</b>	<b>228 085 040</b>
<b>Total liabilities</b>	<b>740 019 090</b>	<b>440 397 421</b>
<b>Shareholders' equity</b>		
Share capital	93 195 200	105 294 200
Legal reserves	3 869 000	3 320 000
Reserves from capital contribution	52 564 970	22 222 033
Voluntary reserves	427 828 576	416 829 524
Treasury shares	–78 697 043	–66 258 159
Statutory retained earnings	6 475 005	10 989 998
<b>Total shareholders' equity</b>	<b>505 235 707</b>	<b>492 397 597</b>
<b>Total liabilities and shareholders' equity</b>	<b>1 245 254 798</b>	<b>932 795 017</b>



# Income Statement of Siegfried Holding AG

In CHF	2021	2020
<b>Income</b>		
Financial income	12 857 521	19 414 135
Service income	28 110 840	25 643 491
<b>Total income</b>	<b>40 968 361</b>	<b>45 057 626</b>
<b>Expenses</b>		
Personnel expense	19 096 732	7 965 840
Administrative expense	4 088 228	3 527 763
Financial expense	10 393 362	20 321 104
Taxes	915 035	2 252 921
<b>Total expenses</b>	<b>34 493 357</b>	<b>34 067 628</b>
<b>Net profit</b>	<b>6 475 005</b>	<b>10 989 998</b>

## Notes to the Financial Statements of Siegfried Holding AG

### General Information

Siegfried Holding AG holds directly or indirectly all subsidiaries of the Siegfried Group. The Financial Statements of Siegfried Holding AG are prepared in accordance with Swiss Code of Obligations. These financial statements have been drawn up in accordance with the provisions governing commercial accounting of the Swiss Code of Obligations (Art. 957–963b OR).

The number of full-time equivalent employees is less than ten.

#### Guarantees and Securities

In connection with the new syndicated loan, there is no guarantee at the end of the year (2020: none). At December 31, 2021, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 20.0 million and EUR 3.8 million (2020: CHF 20.0 million and EUR 3.8 million).

# Balance Sheet

## Investments

As of December 31, 2021, Siegfried Holding AG held the following direct or significant indirect investments:

Group companies	in LC	Participation	Share capital 2021	Share capital 2020
<b>Operating</b>				
Alliance Medical Products Inc., Irvine (USA)	USD	100.00%	116 521	116 521
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 (Nantong) Pharmaceuticals Co. Ltd, Nantong (China)	CNY	100.00%	422 296 722	422 296 722
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
Siegfried Barbara S.L., Barberà del Vallès (Spain)	EUR	100.00%	503 000	–
Siegfried El Masnou, S.A., El Masnou (Spain)	EUR	100.00%	10 099 778	–
<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 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 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

\* Siegfried Pharma AG, Zofingen, was merged retrospectively as of January 01, 2021 into Siegfried AG, Zofingen.

## 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 increased in 2021 by CHF 48.3 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.

## Shareholder's Equity

The share capital of Siegfried Holding AG decreased due to repayment of par value to the shareholders in the amount of CHF 13.2 million and partially offset by the issue of shares under the employee benefit programmes of CHF 1.1 million, resulting in a net decrease of CHF 12.1 million. It is divided into 4 396 000 registered shares each with a par value of CHF 21.20 (2020: 4 351 000 registered shares with a par value of CHF 24.20). The legal reserves are CHF 3.9 million (2020: CHF 3.3 million).

The capital contribution reserve increased as a result of the capital increase of conditional capital by CHF 30.4 million to CHF 52.6 million (2020: CHF 22.2 million).

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 to CHF 2 522 800 for 119 000 shares (2020: CHF 3 968 800 for 164 000 shares), after the creation of 45 000 shares.

## Treasury Shares

In the reporting year Siegfried Holding AG has made purchases and sales of Siegfried shares. On balance Siegfried held 185 467 shares at year end which is a increase by 16 078 shares during 2021 (2020: increase by 30 197 shares). The shares are valued at the average rate.

CHF	Number of shares	Average prices
<b>At January 1, 2020</b>	<b>199 586</b>	<b>385.80</b>
Purchases 2020	7 227	533.70
Sales 2020	-37 424	624.10
<b>At December 31, 2020</b>	<b>169 389</b>	<b>391.20</b>
Purchases 2021	16 599	762.70
Sales 2021	-521	838.00
<b>At December 31, 2021</b>	<b>185 467</b>	<b>424.30</b>

## Liabilities

The existing syndicated loan agreement in the amount of CHF 400 million was amended due to the discontinuation of Libor in October 2021.

Interest is now based on SARON (CHF), SOFR (USD) and Euribor (EUR, as before), plus an interest margin that depends on a financial covenant of a maximum debt ratio. The Siegfried Group fulfilled this covenant at the year end. At December 31, 2021, the syndicated loan was utilized in the amount of CHF 280.0 million (2020: CHF 140.0 million).

On May 19, 2021, Siegfried Holding AG placed a senior bond in the amount of CHF 200.0 million on the Swiss capital market. The bond was issued with a term of 5 years and a coupon of 0.20%. The bond was settled on June 15, 2021. The net proceeds were used for general corporate purposes, including the refinancing of the CHF 160 million hybrid bond.

The two private hybrid convertible bonds issued by Siegfried Holding AG are subordinated bonds with an indefinite maturity and interest payments by coupon. The hybrid convertible bonds have a first call date after five years. If it is not exercised, the interest payable is increased (step up). Additionally there exists an optional right of conversion at a conversion price mathematically fixed, which can be exercised during the duration. The conversion price can change in accordance with the terms of the convertible bonds, in particular if the company makes dividend payments. The conversions are fully covered by treasury shares, i.e. without share capital increase.

	Issue date	Nominal value	Interest	Call date
Private convertible hybrid bond 2020	28/12/2020	40 000	0.650%	28/12/2025
Private convertible hybrid bond 2020	28/12/2020	40 000	1.150%	28/12/2025

In accordance with Art. 3.2.a. according to the bond terms and conditions, Siegfried Holding AG has repaid its subordinated public hybrid bond issued in 2016 in the amount of CHF 160 million on its own initiative and on the first repayment date, i.e. October 26, 2021. The repayment build-up corresponded to the nominal value of the bond of CHF 160 million based on the last coupon of 2.125%.

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, 2021, 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 2021, 1 221 shares with a value of CHF 0.9 million were distributed to the members of the Board of Directors. On December 31, 2021, the non-executive members of the Board of Directors and persons closely related to them owned 40 015 (2020: 38 794) registered shares of Siegfried Holding AG. This represents 0.9% (2020: 0.9%) of the entire share capital of Siegfried Holding AG. The members of the Executive Management (including persons closely related to them) owned at the same date 65 723 (2020: 68 214 ) registered shares, i.e. 1.5% (2020: 1.6%) of the share capital of Siegfried Holding AG.

December 31, 2021			
	Function	Number of shares	of which blocked
Board of Directors			
Andreas Casutt	Chairman	19 914	1 618
Martin Schmid	Vice-Chairman	2 106	809
Colin Bond	Member	3 606	809
Wolfram Carius	Member	3 106	809
Reto Garzetti	Member	8 640	809
Ulla Schmidt	Member	2 071	774
Isabelle Welton	Member	572	457
<b>Total</b>		<b>40 015</b>	<b>6 085</b>
Executive Management			
Wolfgang Wienand	CEO	20 772	–
Reto Suter	CFO	9 517	–
Irene Wosgien	Chief Operating Officer DS	500	–
Marcel Imwinkelried	Chief Operating Officer DP	100	–
Arnoud Middel	Chief Human Resources Officer	4 802	–
Marianne Späne	Chief Business Officer	28 632	–
Jürgen Roos	Chief Scientific Officer	1 400	980
<b>Total</b>		<b>65 723</b>	<b>980</b>
December 31, 2020			
	Function	Number of shares	of which blocked
Board of Directors			
Andreas Casutt	Chairman	19 600	2 042
Martin Schmid	Vice-Chairman	1 949	1 021
Colin Bond	Member	3 449	1 021
Wolfram Carius	Member	2 949	1 021
Reto Garzetti	Member	8 483	1 021
Ulla Schmidt	Member	1 949	1 021
Isabelle Welton	Member	415	300
<b>Total</b>		<b>38 794</b>	<b>7 447</b>
Executive Management			
Wolfgang Wienand	CEO	18 371	–
Reto Suter	CFO	6 750	3 500
René Imwinkelried	Chief Operating Officer	12 948	–
Arnoud Middel	Chief Human Resources Officer	3 012	–
Marianne Späne	Chief Business Officer	26 353	–
Jürgen Roos	Chief Scientific Officer	780	500
<b>Total</b>		<b>68 214</b>	<b>4 000</b>

## Major Shareholders

According to the disclosure notifications, the following shareholders are considered significant shareholders of Siegfried Holding AG:

	Reported number of shares	Reported participation in %
Ernst Göhner Stiftung, Zug, Switzerland	286 019 <sup>1</sup>	6.6
BlackRock, Inc., New York, USA	141 538 <sup>2</sup>	3.3
Credit Suisse Funds AG, Zurich, Switzerland	129 258 <sup>4</sup>	3.0
René Braginsky, Susanne Braginsky, David Braginsky; Zurich/Tel Aviv	128 000 <sup>5</sup>	3.0
Siegfried Holding AG (own shares)	127 824 <sup>6</sup>	3.0
Dimensional Holdings Inc., Wilmington, USA	126 587 <sup>7</sup>	3.0
<b>Total</b>	<b>939 226</b>	<b>21.9</b>

<sup>1</sup> According to own statements on October 6, 2020; including a purchase position for 98 759 shares, making up 2.3%.

<sup>2</sup> According to own statements on November 14, 2020.

<sup>4</sup> According to own statements on April 2, 2019.

<sup>5</sup> According to own statements on December 12, 2018.

<sup>6</sup> According to own statements on December 12, 2018.

<sup>7</sup> According to own statements on March 3, 2018.

## Net dissolution of hidden reserves

In the reporting as well as in the prior period no dissolution of hidden reserves has been taken place.

## Post Balance Sheet Events

There are no significant events after the balance sheet date.

# Proposal of the Board of Directors to the Annual General Meeting of April 13, 2022, regarding Appropriation of the Retained Earnings and the Repayment of Par Value from Share Capital

In CHF	2021
Balance brought forward	–
Profit for the year	6 475 005
Statutory retained earnings	6 475 005
Appropriation of retained earnings to voluntary reserves	–6 475 005
<b>Balance to be carried forward</b>	<b>–</b>

At the Annual General Meeting on April 13, 2022 the Board of Directors will propose to reduce the par value from CHF 21.20 per share by CHF 3.20 to CHF 18.00 per share and to distribute the amount of the par value reduction of CHF 3.20 per share instead of a dividend.

The repayment of the par value reduction is expected to take place in early July 2022 in accordance with capital reduction procedure in Switzerland under Swiss law.



# 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 2021, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 47 to 56) as at 31 December 2021 comply with Swiss law and the company's 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

#### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the 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 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 6 000 000
Benchmark applied	total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a generally accepted benchmark for holding companies.

## 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.

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.

## Report on Key Audit Matters Based on the Circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

## 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 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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi  
Audit expert  
Auditor in charge



Andreas Kägi  
Audit expert

Basel, 18 February 2022



# Information for Investors

## Key Figures Overview 2017–2021

### Consolidated Figures

		2021	2020	2019	2018	2017 <sup>1</sup>
Net sales	CHF million	1 102.4	845.1	833.5	794.3	750.5
Growth in CHF	in %	30.5	1.4	4.9	5.8	4.6
Growth in LC	in %	30.3	4.5	6.9	4.4	3.8
Core EBITDA	CHF million	207.2	149.4	140.7	126.5	111.3
Growth	in %	38.8	6.2	11.3	13.6	6.8
Core EBITDA margin	in %	18.8	17.7	16.9	15.9	14.8
Core EBIT (operating profit)	CHF million	124.4	94.3	89.2	76.9	61.9
Growth	in %	32.0	5.8	16.0	24.2	14.2
Core EBIT margin	in %	11.3	11.2	10.7	9.7	8.2
Core net profit	CHF million	95.3	72.5	65.7	55.4	40.8
Core net profit margin	in %	8.6	8.6	7.9	7.0	5.4
Net debt	CHF million	407.4	85.6	109.6	70.1	65.9
Net debt / Core EBITDA		-2.0	-0.6	-0.8	-0.6	-0.6
Net Working Capital <sup>2</sup>	CHF million	506.6	424.4	419.7	373.0	365.1
As % of net sales		46.0	50.2	50.4	47.0	48.6
Total assets	CHF million	1 669.2	1 242.3	1 168.7	1 103.1	1 071.0
Equity	CHF million	688.2	733.2	691.7	678.8	667.8
Equity ratio	in %	41.2	59.0	59.2	61.5	62.4
Average capital employed <sup>3</sup>	CHF million	1 276.4	916.1	895.9	880.5	833.9
Return on capital employed (average) ROCE <sup>4</sup>	in %	16.2	16.3	15.7	14.4	13.3
Cash flow from operating activities	CHF million	119.7	114.8	65.6	106.0	84.6
As % of net sales		10.9	13.6	7.9	13.3	11.3
Free cash flow <sup>5</sup>	CHF million	6.5	45.7	3.8	46.0	32.3
Investments in PPE and intangible assets	CHF million	113.4	69.1	61.9	60.1	52.8
As % of net sales		10.3	8.2	7.4	7.6	7.0
Employees (number of FTEs) <sup>6</sup>	Number	3 432	2 532	2 407	2 294	2 260

<sup>1</sup> Restatement – Employee benefits.

<sup>2</sup> Calculation of Net Working Capital: Trade Receivables + inventories – Trade Payables – Customer Prepayments.

<sup>3</sup> Calculation of Capital Employed over twelve months: PPE + Intangible Assets + Net Working Capital.

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

<sup>5</sup> Calculation Free Cashflow: Operating Cashflow +/- Investment in PPE +/- Investment in Intangible Assets.

<sup>6</sup> Year-end values.

## Core Results

Siegfried believes that the disclosure of core results enables financial markets a better understanding of the company and allows a better comparison over the years.

The core results do exclude extraordinary expenses and income. Siegfried uses the core results in addition to Swiss GAAP FER as important indicators for the internal assessment of the performance of the Group.

Siegfried defines the effects of changes in the interest rate of foreign pension plans (discount rate for actuarial reports), restructuring, transaction and integration costs as well as impairments on non-financial and intangible assets as extraordinary expenses and income. Such effects can vary significantly from year to year and distort the presentation of results.

The current interest on foreign pension liabilities is reclassified in the core results and not shown in personnel expenses but outside the operating result in financial expenses.

Due to the recent tax reform in Switzerland, Siegfried Holding AG has used the transitional measure of the step up (existing law) end of 2019. The trademark rights were capitalized in the tax balance sheet and will be depreciated over the next 5 years. The deferred tax assets under Swiss GAAP FER will be reduced yearly and will be zero latest end of 2024. This effect from the step up is shown separately as a core adjustment in the income taxes.

Any other possible extraordinary effects are shown in the category "other" and explained separately.

## Reconciliation 2021 Results Swiss GAAP FER to Core

In 1000 CHF (as of December 31)	Swiss GAAP FER	Interest effect on pension liabilities	Restructuring	Transaction and integra- tion costs	Impairments	Step up	Others	Core
Net sales	1 102 423	–	–	–	–	–	–	1 102 423
Cost of goods sold	–862 853	–285	–	–	–	–	–	–863 138
<b>Gross profit</b>	<b>239 570</b>	<b>–285</b>	–	–	–	–	–	<b>239 285</b>
Marketing and sales costs	–16 288	–	–	–	–	–	–	–16 288
Research and development costs	–40 669	–	299	–	–	–	–	–40 370
Administration and general over- head costs	–54 683	–12 507	895	4 075	–	–	–	–62 220
Discount rate change on foreign pension liabilities	–	–13 274	–	–	–	–	–	–
Current net interest on foreign pension liabilities	–	767	–	–	–	–	–	–
Other operating income	4 058	–	–	–	–	–	–	4 058
Income of associated companies	–35	–	–	–	–	–	–	–35
<b>Operating result (EBIT)</b>	<b>131 953</b>	<b>–12 793</b>	<b>1 194</b>	<b>4 075</b>	–	–	–	<b>124 430</b>
<b>Financial result</b>	<b>–5 426</b>	<b>–767</b>	–	–	–	–	–	<b>–6 193</b>
<b>Profit before income taxes</b>	<b>126 527</b>	<b>–13 560</b>	<b>1 194</b>	<b>4 075</b>	–	–	–	<b>118 237</b>
<b>Income taxes</b>	<b>–30 928</b>	<b>3 975</b>	<b>136</b>	<b>453</b>	–	<b>3 405</b>	–	<b>–22 959</b>
<b>Net profit</b>	<b>95 600</b>	<b>–9 585</b>	<b>1 330</b>	<b>4 528</b>	–	<b>3 405</b>	–	<b>95 278</b>
<b>EBITDA</b>	<b>214 770</b>	<b>–12 793</b>	<b>1 194</b>	<b>4 075</b>	–	–	–	<b>207 246</b>

### Interest effect on pension liabilities

According to Swiss GAAP FER, the effects of interest on pension liabilities are to be reported as non-cash personnel expenses. The effects of changes in interest rates (discount rate) are neutralized for the core results. The increase in the discount rate of 40 basis points for the interest on pension liabilities in Siegfried PharmaChemikalien Minden GmbH, Germany, accounts for the majority of the approximately CHF 7.5 million core adjustment.

The current net interest on pension liabilities in the amount of CHF 0.8 million is reclassified from personnel expenses to financial expenses for the core results. Deferred taxes must be corrected accordingly in order to present the core net profit.

### Transaction costs

The core adjustment under “transaction costs” relates to expenses in connection with acquisition activities, which did not lead to a transaction.

### Step up

The deferred tax assets posted under Swiss GAAP FER from the step up with regard to trademark rights of Siegfried Holding AG is not included in the core result.

### Restructuring

With the acquisition of the two Spanish production companies, competencies will be bundled and activities relocated from Zofingen to Spain.

## Reconciliation 2020 Results Swiss GAAP FER to Core

In 1000 CHF (as of December 31)	Swiss GAAP FER	Interest effect on pension liabilities	Restructuring	Transaction and integra- tion costs	Impairments	Step up	Others	Core
Net sales	845 062	–	–	–	–	–	–	845 062
Cost of goods sold	–668 866	–	–	–	–	–	1 326	–667 540
<b>Gross profit</b>	<b>176 196</b>	–	–	–	–	–	<b>1 326</b>	<b>177 522</b>
Marketing and sales costs	– 15 934	–	–	–	–	–	340	– 15 594
Research and development costs	– 31 200	–	–	–	–	–	340	– 30 860
Administration and general over- head costs	– 52 059	11 015	–	483	–	–	1 394	– 39 167
Discount rate change on foreign pension liabilities	–	9 932	–	–	–	–	–	–
Current net interest on foreign pension liabilities	–	1 083	–	–	–	–	–	–
Other operating income	2 416	–	–	–	–	–	–	2 416
Income of associated companies	– 27	–	–	–	–	–	–	– 27
<b>Operating result (EBIT)</b>	<b>79 392</b>	<b>11 015</b>	–	<b>483</b>	–	–	<b>3 400</b>	<b>94 290</b>
<b>Financial result</b>	<b>– 5 362</b>	<b>– 1 083</b>	–	–	–	–	–	<b>– 6 445</b>
<b>Profit before income taxes</b>	<b>74 030</b>	<b>9 932</b>	–	<b>483</b>	–	–	<b>3 400</b>	<b>87 845</b>
<b>Income taxes</b>	<b>– 13 163</b>	<b>– 2 980</b>	–	<b>– 55</b>	–	<b>1 703</b>	<b>– 816</b>	<b>– 15 311</b>
<b>Net profit</b>	<b>60 867</b>	<b>6 952</b>	–	<b>428</b>	–	<b>1 703</b>	<b>2 584</b>	<b>72 534</b>
<b>EBITDA</b>	<b>134 464</b>	<b>11 015</b>	–	<b>483</b>	–	–	<b>3 400</b>	<b>149 362</b>

### Interest effect on pension liabilities

According to Swiss GAAP FER, the effects of interest on pension liabilities are to be reported as non-cash personnel expenses. The effects of changes in interest rates (discount rate) are neutralized for the core results. The reduction in the discount rate of 30 basis points for the interest on pension liabilities in Siegfried PharmaChemikalien Minden GmbH, Germany, accounts for the majority of the approximately CHF 9.9 million core adjustment.

The current net interest on pension liabilities in the amount of CHF 1.1 million is reclassified from personnel expenses to financial expenses for the core results. Deferred taxes must be corrected accordingly by CHF 3.0 million in order to present the core net profit.

### Transaction costs

The core adjustment under “transaction costs” relates to expenses in connection with acquisition activities, which did not lead to a transaction.

### Step up

The deferred tax assets posted under Swiss GAAP FER from the step up with regard to trademark rights of Siegfried Holding AG is not included in the core result.

### Others

A special COVID bonus is shown under “other”. This is unique and not part of it of the existing employee remuneration system.

## Stock Market Data

			2021	2020	2019	2018	2017
Registered shares nom. CHF 21.20 <sup>2</sup>			4 396 000	4 351 000	4 306 000	4 256 748	4 210 915
Share capital	CHF million		93.2	105.3	116.3	8.5	8.3
Distribution per registered share <sup>2</sup>	CHF		3.20	3.00	2.80	2.60	2.40
Total distribution <sup>2</sup>	CHF		14 067 200 <sup>1</sup>	13 053 000	12 056 800	10 686 699	9 942 072
Market prices registered share	high	CHF	934.5	689.0	469.0	469.5	327.0
	low	CHF	618.0	313.5	321.5	304.0	213.3
	31/12	CHF	889.5	651.5	469.0	336.0	324.0
Distribution yield per registered share	%		0.4	0.5	0.7	0.8	0.7
Non-diluted core earnings per share (CHF) <sup>3,7</sup>	CHF		22.25	17.50	15.88	12.81	10.28
Diluted core earnings per share (CHF) <sup>4,7</sup>	CHF		21.56	16.90	15.48	12.49	9.97
Consolidated operating cash flow per registered share <sup>3</sup>	CHF		28.1	26.4	15.1	25.4	21.3
Consolidated equity and reserves per registered share <sup>3</sup>	CHF		163.6	168.5	160.6	162.7	169.3
P/E ratio (year-end) <sup>5</sup>			41	39	30	27	32
Market capitalization at year-end <sup>6</sup>	CHF million		3 745	2 724	1 940	1 363	1 342

<sup>1</sup> Repayment of par value, proposal to the general assembly of April 13, 2022.

<sup>2</sup> Repayment of par value or distribution from CCR, in accordance with the corresponding general assembly resolution.

<sup>3</sup> Calculated on the basis of year-end share price and diluted EPS.

<sup>4</sup> Calculated on the weighted average number of shares outstanding, deducting treasury shares.

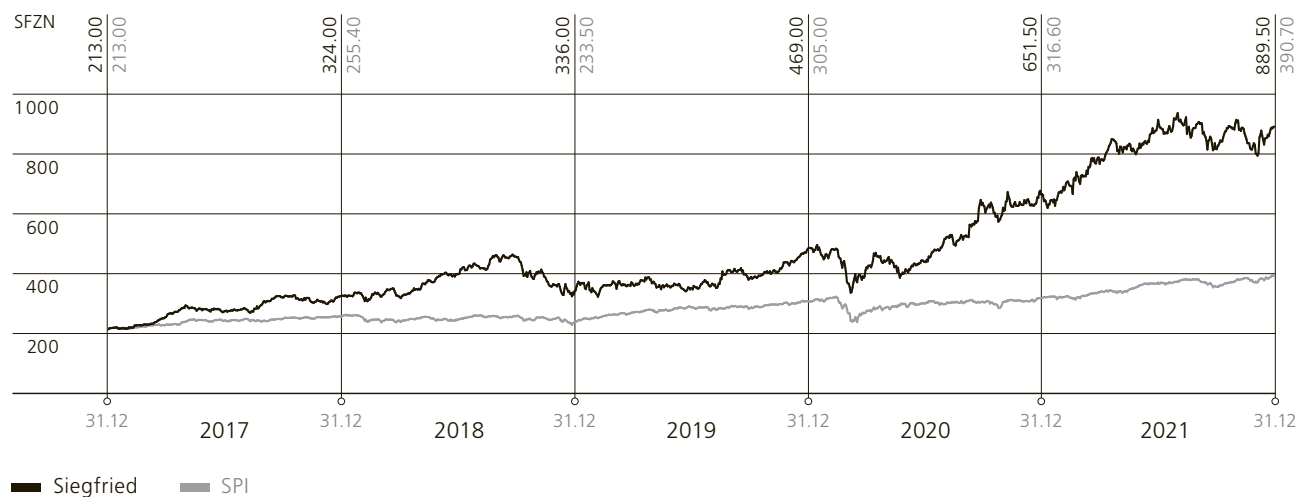
<sup>5</sup> Adjustment for assumed exercise of share-based payments, where dilutive.

<sup>6</sup> Calculated on the number of listed shares, net of treasury shares.

<sup>7</sup> Core EPS upon 2018, prior years not adjusted.

## Share Price Development

from January 1, 2017, to December 31, 2021





## Shareholder Base

As of December 31, 2021, 7354 shareholders were registered in the share registry of Siegfried Holding AG, representing a shareholding of 67.9% of the total share capital.

The distribution of the shares among the shareholders was as follows:

Number of shareholders at December 31, 2021	Shareholders	Shares	%
1–10	1 596	9 764	0.22
11–100	4 384	182 313	4.15
101–1000	1 171	331 941	7.55
1001–10 000	171	489 374	11.13
10 001–100 000	24	697 542	15.87
100 001–1 000 000	8	1 273 950	28.98
	7 354	2 984 884	67.90
Treasury shares and non-registered shares	n.a.	1 411 116	32.10
<b>Total shares</b>		<b>4 396 000</b>	<b>100.00</b>

Shareholdings by segment as of December 31, 2021, was as follows:

Holdings by segment as of December 31, 2021	Shareholders	No. of shares per category	%
Significant shareholders (>3%)	5	729 736	16.60
Individuals	6 895	945 140	21.50
Institutional investors	454	1 310 008	29.80
Own shares and non-registered shares	–	1 411 116	32.10
<b>Total shares</b>	<b>7 354</b>	<b>4 396 000</b>	<b>100.00</b>

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

## 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 forward looking statements contained in this Annual Report, among others: (1) pricing and product initiatives of competitors; (2) legislative and regulatory developments and economic conditions; (3) delay or inability in obtaining regulatory approvals or bringing products to market; (4) fluctuations in currency exchange rates and general financial market conditions; (5) uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of clinical trials or research projects, unexpected side-effects of pipeline or marketed products; (6) increased government pricing pressures; (7) interruptions in production; (8) loss of or inability to obtain adequate protection for intellectual property rights; (9) litigation; (10) loss of key executives or other employees; and (11) adverse publicity and news coverage. The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Siegfried’s earnings or earnings per share for 2019 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.

## 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 2021 financial year ending 31 December 2021. The future-oriented topics dealt with in the report represent an exception. Siegfried’s Annual Report appears annually and was last published in March 2021, both in a printed version and as PDF on our corporate website. The next report will come out in the spring of 2023.

### 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 (tables with remark “Audited”) for the financial year ending 31 December 2021 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 2022, the company will inform about

### **February 23, 2022**

Publication of results for the 2021 business year at a media and analyst conference in Zurich

### **April 13, 2022**

Annual General Meeting of Shareholders  
10 a.m., Stadtsaal Zofingen

### **August 18, 2022**

Publication of 2022 half-year financial results

## Publisher's Note

This Annual Report is also available in German, being the original version.

This is an excerpt of Siegfried's Annual Report 2021. All chapters of Siegfried's Annual Report 2021 can be downloaded at [report.siegfried.ch](http://report.siegfried.ch).

### **Editor**

Christa Brügger, Jonas Müller

### **Concept, layout, realization**

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Kornel Stadler, Bern

### **Lithografy**

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The Siegfried Group is a leading supplier in the global CDMO market with production facilities in Switzerland, the USA, Malta, China, Germany, France and Spain. Siegfried employs a workforce of around 3600 employees at eleven sites in seven countries. Siegfried Holding AG is headquartered in Zofingen (Switzerland) and is listed on the Swiss Exchange (SIX:SFZN).

**expect  
more**

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