

Consolidated Financial Statements

In 1000 CHF (for the years ended December 31)

	2022	2021
Core results¹		
Net sales	1 229 518	1 102 423
Cost of goods sold	-910 628	-863 138
Core gross profit	318 890	239 285
Marketing and sales costs	-18 124	-16 288
Research and development costs	-43 175	-40 370
Core administration and general overhead costs	-71 063	-62 220
Other operating income	4 259	4 058
Income of associated companies	-	-35
Core EBIT (operating result)	190 787	124 430
Financial income	57	86
Core financial expenses	-8 941	-4 928
Exchange rate differences	-4 286	-1 351
Core profit before income taxes	177 617	118 237
Core income taxes	-49 810	-22 959
Core net profit	127 806	95 277
Depreciation	81 748	82 816
Core EBITDA	272 535	207 246
Non-diluted core earnings per share (CHF)	30.28	22.66
Diluted core earnings per share (CHF)	29.63	21.95

¹ For more information and reconciliation of Swiss GAAP FER to Core results see Financial Report «Investor Information», pages 61-63.

Financial Report 2022



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more

Financial Report

03 Consolidated Financial Statements of Siegfried Holding AG

- 03 Key Figures Overview
- 04 Financial Commentary 2022
- 07 Consolidated Balance Sheet
- 08 Consolidated Income Statement
- 09 Consolidated Statement of Cash Flows
- 10 Consolidated Statement of Changes in Equity
- 11 Notes to the Consolidated Financial Statements
- 42 Report of the Statutory Auditor

47 Financial Statements of Siegfried Holding AG

- 48 Balance Sheet of Siegfried Holding AG
- 49 Income Statement of Siegfried Holding AG
- 49 Notes to the Financial Statements of Siegfried Holding AG
- 56 Proposal of the Board of Directors regarding Appropriation of the Retained Earnings and the Repayment of Par Value from Share Capital
- 57 Report of the Statutory Auditor

60 Information for Investors

- 60 Key Figures Overview 2018–2022, Consolidated Figures
- 61 Core Results
- 64 Stock Market Data
- 64 Share Price Development
- 65 About this Annual Report



This is an excerpt of Siegfried's Annual Report 2022.
All chapters can be found on our Investor Relations portal:
www.ir.siegfried.ch

Key Figures Overview

	2022	2021	Change CHF (LC)
Net sales (million CHF)	1 229.5	1 102.4	+11.5% (+15.6%)
Core gross profit (million CHF)	318.9	239.3	33.3%
Core gross profit margin (%)	25.9%	21.7%	
Core results ¹			
Core EBITDA (million CHF)	272.5	207.2	31.5%
Core EBITDA margin (%)	22.2%	18.8%	
Core EBIT (operating result) (million CHF)	190.8	124.4	53.3%
Core EBIT margin (%)	15.5%	11.3%	
Core net profit (million CHF)	127.8	95.3	34.1%
Core net profit-margin (%)	10.4%	8.6%	
Non-diluted core earnings per share (CHF)	30.28	22.66	33.6%
Diluted core earnings per share (CHF)	29.63	21.95	35.0%
Cash flow from operating activities (million CHF)	142.3	119.7	18.9%
Free cash flow (million CHF)	27.2	6.5	320.0%
Investment in property, plant and equipment and intangible assets (million CHF)	115.2	113.4	1.6%
	December 31, 2022	December 31, 2021	Change
Equity (million CHF)	790.9	688.2	14.9%
Total assets (million CHF)	1 793.2	1 669.2	7.4%
Equity ratio (%)	44.1%	41.2%	
Employees (number of FTEs)	3 564	3 432	3.8%

¹ For more information and reconciliation of Swiss GAAP FER to Core results see Financial Report "Investor Information", pages 61–63.

Financial Commentary 2022

Profitable growth and increase in margins

Despite continued macro challenges, Siegfried continued to grow profitably in 2022, increasing net sales to 1 229.5 million Swiss francs, an increase of 11.5% in Swiss francs. The euro and the US dollar moved strongly during the year. The euro, which accounts for 55% of net sales depreciated by more than 7% against the Swiss franc, while the US dollar, accounting for 14% of net sales appreciated by more than 4%. The growth at constant currencies was 15.6%. Both the Drug Substances (+14.9%) as well as Drug Products (+6.6%) cluster contributed to the growth. After the acquisition of the two Drug Products plants in Spain, the Drug Products cluster has a significantly higher EUR net sales portion compared to the group as a whole, resulting in a significantly stronger currency headwind in 2022.

Core gross profit increased to 318.9 million Swiss francs, a significant improvement in the core gross profit margin from 21.7% in the previous year to 25.9% in the year under review.

Core EBITDA (272.5 million Swiss francs, +31.5%), Core EBIT (190.8 million Swiss francs, +53.3%) and Core net profit (127.8 million Swiss francs, +34.1%) again developed very positively. This was reflected accordingly in an increase in margins: the core EBITDA margin was 22.2% (previous year: 18.8%). The core EBIT margin (15.5%) also increased compared to the previous year (11.3%).

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. In 2022, Swiss GAAP FER results were significantly affected by a strong increase of interest rates in the euro area, leading to reduction of the pension obligations from foreign pension plans and a technical and non-cash increase of the operating income. The core results have been corrected for that effect (- 47.2 million Swiss francs). In addition, 1.2 million Swiss francs of interest expenses on these foreign pension plans were reclassified to financial expenses, and 6.0 million Swiss francs of non-recurring restructuring cost enhancing the operational performance on selected sites were adjusted. In 2022, no transaction or integration cost were adjusted.

Operating expenses under control

Operating expenses are each year affected by extraordinary or non-recurring events; an analysis on the basis of core figures is appropriate.

In total, core operating expenses amounted to 128.1 million Swiss francs in 2022, or 10.42% of net sales, at exactly the same level relative to net sales as in 2021.

Core marketing and sales costs were slightly higher than in the previous year at 18.1 million Swiss francs, but on the same level in relative terms. For core research and development, an important client facing area for Siegfried, costs of 43.2 million Swiss francs were incurred, which means a slight decrease in relative terms. Administration and general costs at core level amounted to 71.1 million Swiss francs, a slight increase in relative terms, resulting amongst other effects from higher share based compensation and a higher provision for the STIP.

Other income was slightly higher than the previous year at 4.3 million Swiss francs.

Higher financial expenses on some, but not all funding layers

Financial expenses were higher than in the previous year at 7.8 million Swiss francs (prior year 4.2 million Swiss francs). The higher interest rate environment did affect funding from the revolving credit facility, but not interest expenses from the senior bonds (200 million Swiss francs) and the two hybrid convertible bonds (total 80 million Swiss francs).

Operating cash flow, free cash flow and cash flow from financing activities

At 276.1 million Swiss francs, operating cash flow before changes in net working capital was significantly above the previous year's level (210.7 million Swiss francs). In the area of net working capital, there was an increase in inventories, again from supply chain de-risking activities. In total, cash flow from operating activities amounted to 142.3 million Swiss francs, a significant increase of 18.9% compared to the previous year.

Investments in property, plant and equipment and intangible assets were slightly higher than in the previous year at 115.2 million Swiss francs (previous year 113.4 million Swiss francs). This results in a free cash flow of 27.2 million Swiss francs, significantly up from 6.5 million Swiss francs in the last year.

Other financial key figures

At year-end, Siegfried had 91.5 million Swiss francs in cash and cash equivalents. Non-current financial liabilities amounted to 510 million Swiss francs. Thus, net debt amounted to 418.5 million Swiss francs, resulting in net debt in relation to core EBITDA of 1.54, down from 1.97 at the end of 2021.

The equity ratio was 44.1%. Thus, comparing to last year, the debt capacity of the Siegfried Group has substantially improved, providing the capacity to finance further growth steps.

Proposal of par value repayment to the General Assembly

At the Annual General Meeting on April 20, 2023, the Board of Directors will propose to the shareholders to reduce the par value of a share from 18.00 Swiss Francs by 3.40 Swiss Francs to 14.60 Swiss Francs and to distribute the amount of the reduction in par value of 3.40 Swiss Francs instead of a dividend.



Dr. Reto Suter
Chief Financial Officer

Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	2	779 901	770 724
Intangible assets	3	35 853	25 570
Investments in associated companies and joint ventures	4	–	327
Financial and other non-current assets		591	592
Employer contribution reserves	18	9 018	9 979
Deferred tax assets	5	22 950	35 800
Total non-current assets		848 313	842 992
Current assets			
Inventories	6	405 782	364 655
Trade receivables	7	337 767	267 028
Other current assets	8	62 605	65 930
Accrued income and prepaid expenses	9	43 737	49 583
Current income taxes		3 120	5 543
Securities		135	345
Derivative financial instruments	10	258	460
Cash and cash equivalents		91 483	72 621
Total current assets		944 887	826 166
Total assets		1 793 200	1 669 158
Liabilities and equity			
Equity			
Share capital	12	79 776	93 196
Treasury shares	11	–102 112	–78 696
Capital reserves		109 532	85 594
Hybrid capital		80 000	80 001
Retained earnings		623 732	508 122
Total equity		790 928	688 217
Non-current liabilities			
Non-current financial liabilities	13	510 000	480 000
Non-current provisions	14	27 884	28 618
Deferred tax liabilities	5	12 579	10 970
Other non-current liabilities	15	52 701	59 584
Non-current pension liabilities	18	81 514	130 977
Total non-current liabilities		684 678	710 149
Current liabilities			
Trade payables		114 065	119 932
Other current liabilities	17	86 007	63 689
Accrued expenses and deferred income	16	51 196	52 645
Derivative financial instruments	10	1	–
Current pension liabilities	18	473	456
Current provisions	14	10 311	14 199
Current income tax liabilities		55 541	19 871
Total current liabilities		317 594	270 792
Total liabilities		1 002 272	980 941
Total liabilities and equity		1 793 200	1 669 158

* 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*	2022	2021
Net sales	29	1 229 518	1 102 423
Cost of goods sold		-910 628	-862 853
Gross profit		318 890	239 570
Marketing and sales costs		-18 124	-16 288
Research and development costs		-43 175	-40 669
Administration and general overhead costs		-31 073	-54 683
Other operating income	20	4 259	4 058
Income of associated companies		-	-35
Operating result		230 777	131 953
Financial income	21	57	86
Financial expenses	21	-7 774	-4 161
Exchange rate differences	21	-4 286	-1 351
Profit before income taxes		218 774	126 527
Income taxes	5	-62 284	-30 928
Net profit		156 490	95 600
Non-diluted earnings per share (CHF)	23	37.07	22.73
Diluted earnings per share (CHF)	23	36.28	22.03

* 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*	2022	2021
Net profit		156 490	95 600
Depreciation and impairment of PP&E and intangible assets	2,3	81 748	82 816
Change in provisions	14	-1 110	-247
Other non-cash items ¹		-45 543	-17 646
Share-based payments	18	10 342	13 756
Exchange rate differences	21	4 286	1 351
Financial income	21	-57	-86
Financial expenses	21	7 774	4 161
Income taxes	5	62 284	30 928
Income of associated companies	4	-	35
Net result on disposal of property, plant and equipment		-67	6
Cash flow from operating activities before change in NWC		276 147	210 674
Change in net working capital:			
Trade receivables		-72 823	8 262
Other current assets and accruals		-6 459	-42 060
Inventories		-51 462	-60 334
Trade payables		-9 771	32 840
Other current liabilities and accruals		25 265	-11 573
Payments out of provisions and pension liabilities		-8 799	-10 189
Income taxes paid		-9 758	-7 870
Cash flow from operating activities		142 340	119 749
Purchase of property, plant and equipment	2	-103 585	-113 100
Proceeds from disposal of property, plant and equipment		115	135
Purchase of intangible and other assets	3	-11 623	-297
Sale of associated companies		231	-
Acquisition of Group companies	22	11 155	-136 529
Investments in financial fixed assets		-8	-309
Interest received		57	19
Dividend received		3	68
Cash flow from investing activities		-103 655	-250 013
Free cash flow		27 246	6 487
Capital increase		1 071	1 065
Decrease of hybrid capital	12	-	-160 000
Increase of non-current financial liabilities	13	475 000	755 032
Decrease of non-current financial liabilities	13	-445 000	-415 000
Change in other non-current liabilities		-4 140	-2
Purchase of treasury shares		-24 101	-12 660
Disposal of treasury shares		22	437
Interest paid and bank charges		-7 895	-7 479
Distribution to the shareholders of Siegfried Holding AG		-13 535	-12 630
Cash flow from financing activities		-18 578	148 763
Net change in cash and cash equivalents		20 105	18 497
Cash and cash equivalents 1/1/		72 621	54 413
Net effect of exchange rate changes on cash		-1 243	-292
Cash and cash equivalents 31/12/		91 483	72 621

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

¹ Other non-cash effective changes include mainly the effect of the discount rate change on foreign pension plan obligations and derivative financial instruments.

Consolidated Statement of Changes in Equity

In 1000 CHF	Share capital	Treasury shares	Capital reserves	Hybrid capital	Value fluctuations of financial instruments ¹	Accumulated profits ¹	Offset Goodwill/Badwill ²	Cumulative translation adjustments ¹	Total equity
As of January 1, 2021	105 295	-66 257	55 251	237 530	2 670	652 388	-159 200	-94 493	733 183
Net profit	-	-	-	-	-	95 600	-	-	95 600
Distribution	-13 188	-	-	-	-	558	-	-	-12 630
Change in hybrid capital	-	-	-	-157 529	-	-5 987	-	-	-163 516
Changes in financial instruments	-	-	-	-	-1 963	-	-	-	-1 963
Employee share plan	-	-	-	-	-	-16 611	-	-	-16 611
Purchases of treasury shares	-	-12 660	-	-	-	-	-	-	-12 660
Sale of treasury shares	-	221	-	-	-	216	-	-	437
Capital increase	1 089	-	30 343	-	-	-	-	-	31 432
Goodwill / Badwill allocation	-	-	-	-	-	-	40 225	-	40 225
Currency translation differences	-	-	-	-	-	-	-	-5 280	-5 280
As of December 31, 2021	93 196	-78 696	85 594	80 001	707	726 163	-118 975	-99 773	688 217
Net profit	-	-	-	-	-	156 490	-	-	156 490
Distribution	-14 182	-	-	-	-	647	-	-	-13 535
Change in hybrid capital	-	-	-	-	-	-720	-	-	-720
Changes in financial instruments	-	-	-	-	-2 242	-	-	-	-2 242
Employee share plan	-	-	-	-	-	-14 337	-	-	-14 337
Purchases of treasury shares	-	-24 101	-	-	-	-	-	-	-24 101
Sale of treasury shares	-	685	-	-	-	384	-	-	1 069
Capital increase	763	-	23 938	-	-	-	-	-	24 701
Goodwill / Badwill allocation	-	-	-	-	-	-	1 054	-	1 054
Change in consolidation scope associated companies	-	-	-	-	-	-328	-	-	-328
Currency translation differences	-	-	-	-	-	-	-	-25 339	-25 339
As of December 31, 2022	79 776	-102 112	109 532	80 000	-1 535	868 300	-117 921	-125 112	790 929

¹ In the Consolidated Balance Sheet these items are disclosed as retained earnings.

² 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 14.2 million and partially offset by the issue of shares under the employee benefit programmes of CHF 0.8 million, resulting in a net decrease of CHF 13.4 million. It is divided into 4 432 000 registered shares each with a par value of CHF 18.00 (2021: 4 396 000 registered shares each with a par value of CHF 21.20), see note 12.

In 2021, 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 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 actual value or market value, respectively. 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 16, 2023, for presentation to the General Meeting held on April 20, 2023.

Information about the Group

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

Method and Scope of Consolidation

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

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

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

Accounting Principles

Business Combinations

Acquisitions of subsidiary companies are reported according to the purchase method. The goodwill or badwill from business combinations corresponds to the difference between the purchase price incl. acquisition costs and the proportional actual value of the net identifiable assets of the acquired company at the time of the purchase. Potentially existing non-capitalized intangible assets such as brands, user rights or client lists are not recognized separately in the context of acquisitions, but remain in goodwill.

Purchased goodwill and badwill 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	2022	2021
1 USD	0.923	0.912
1 EUR	0.985	1.033
100 CNY	13.382	14.359

Income Statement

Average rates	2022	2021
1 USD	0.955	0.914
1 EUR	1.005	1.081
100 CNY	14.203	14.171

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, software and land use rights in China. If there are indications of impairment, intangible assets are tested for recoverability. Intangible assets are 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. Intangible assets are amortized on a straight-line basis over the estimated useful life. 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 an impairment is recognised in the operating result.

Securities/Financial Assets

Securities are a part of the current assets and are valued at actual values. If no actual 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. Acquisition or production cost are measured using the moving 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 as well as for Q-blocked goods. 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 net realizable value; this is equal to the amounts invoiced after deducting allowances for doubtful accounts. Indications for possible impairment are given if the 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 reporting date 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 infinite 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 interest to be paid increases (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 and personnel commitments.

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 as for the companies in the USA.

The effective economic effects of all Group pension plans are calculated annually at the reporting date and the resulting liability or economic benefit is recognized in the Balance Sheet. 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 management 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 or between 0 and 1.5 shares per acquired PSU.

Further an Employee Share Purchase Plan exists that allows employees, which can not participate in the LTIP, to buy shares at a discounted rate of 30% below market value. The share plan is considered 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 Siegfried shares free of charge in the years 2016–2025.

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 benefits and risks as well as the authority 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 sold and services rendered include the direct production costs and the production overheads.

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 recognises the related expenses. 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 useful 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 6 to 8, 2022, 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 24, 2022.

The Annual Report on the Internal Control System, including its assessment, was also approved at the meeting on November 24, 2022. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 21, 2022.

Financial Risk Management

Financial risk management within Siegfried 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 principally exposed to currency risk with respect to the USD and the EUR and to a lesser extent 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. The Siegfried Group does not hold financial investments for speculative purposes. Non-current financial investments, such as investments in subsidiaries, are held for strategic reasons. Risks of loss in value are minimized by thorough analysis before purchase and by continuously monitoring the performance and risks of the investments.

Liquidity Risks

The Group companies need to have sufficient access to cash to meet their obligations. The treasury department manages the raising of current and non-current debt centrally. Cash flow forecasting is performed by the operating entities of the Group and aggregated and monitored by Group 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 with a single credit institution is limited.

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 (cash balances less bank borrowings) divided by EBITDA (operating result plus depreciation of property, plant and equipment and impairment of intangible assets). 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 used to hedge 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 unit 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.

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 would as a consequence be higher or lower (see note 14).

Restructuring Provision

The provision relates to restructuring measures and expected costs in connection with the decision to reorganise business activities. These estimates are based on the best knowledge and belief of the Executive Committee about the Group's current and future activities.

Pension obligations for foreign pension plans

Foreign pension obligations are valued by means of external actuarial reports, unless they are contribution plans. The parameters on which the actuarial report is based, 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	in LC	Participation	Share capital 2022	Share capital 2021
Operating				
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%	750 500	750 500
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 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	503 000
Siegfried El Masnou, S.A., El Masnou (Spain)	EUR	100.00%	10 099 778	10 099 778
Finance and administration				
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 Holding AG, Zofingen (Switzerland)	CHF	100.00%	79 776 000	93 195 200
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
Joint venture				
Alpine Dragon Pharmaceuticals Ltd., Huangyang, Gansu Province (China)	CNY	49.00%	–	10 542 708

The share in Alpine Dragon Pharmaceuticals Ltd., Huangyang was sold as of September 30, 2022.

The par value per share of Siegfried Holding AG was determined by resolution of the general meeting from April 13, 2022 from CHF 21.20 each to CHF 18.00 each. The share capital as at December 31, 2022 amounts to CHF 79.8 million and is divided into 4 432 000 registered shares with a par value of CHF 18.00 each (2021: 4 396 000 registered shares with a par value of CHF 21.20 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 ¹	Total
Acquisition costs					
As of January 1, 2021	26 926	356 597	1 136 004	78 899	1 598 426
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	71 513	103 786
Disposals	-	-266	-14 128	-14	-14 408
Reclassifications	177	1 912	33 613	-35 929	-227
As of December 31, 2021	46 625	418 943	1 306 087	121 504	1 893 158
Translation differences	-1 195	-9 990	-33 024	-3 386	-47 595
Change in scope of consolidation	-	-	-	-	-
Additions	68	1 521	25 946	83 523	111 058
Disposals	-	-398	-9 682	-	-10 080
Reclassifications	-	3 652	50 529	-54 655	-474
As of December 31, 2022	45 498	413 728	1 339 856	146 986	1 946 067
Accumulated depreciation and impairments					
As of January 1, 2021	-	218 897	853 313	-	1 072 210
Translation differences	-	-3 482	-13 297	-	-16 779
Depreciation charge	-	14 549	66 468	-	81 017
Disposals	-	-266	-13 747	-	-14 013
As of December 31, 2021	-	229 698	892 737	-	1 122 435
Translation differences	-	-5 072	-21 440	-	-26 512
Depreciation charge	-	13 921	66 308	-	80 229
Disposals	-	-397	-9 590	-	-9 987
As of December 31, 2022	-	238 150	928 015	-	1 166 165
Net book value 31/12/2022	45 498	175 577	411 840	146 986	779 901
Net book value 31/12/2021	46 625	189 245	413 349	121 504	770 723

¹ In 2021, software developments were reclassified from assets under construction to a separate class in intangibles assets.

At December 31, 2022, Land included CHF 2.6 million (2021: CHF 2.6 million) undeveloped property.

As of December 31, 2022, commitments for the purchase of property, plant and equipment amounted to CHF 15.4 million (2021: CHF 14.5 million).

3. Intangible Assets

In 1000 CHF	Licenses, patents	Trademarks	Software	Others	Software in development ¹	Total
Acquisition costs						
As of January 1, 2021	10 674	6 046	15 892	5 941	8 412	46 965
Translation differences	350	221	-96	312	-	787
Change in scope of consolidation	-	-	1 291	-	-	1 291
Additions	-	-	177	120	10 186	10 483
Disposals	-	-	-185	-	-	-185
Reclassification	-	-	227	-	-	227
As of December 31, 2021	11 024	6 267	17 306	6 373	18 597	59 567
Translation differences	120	76	-179	-419	-	-402
Change in scope of consolidation	-	-	-	-	-	-
Additions	-	-	497	22	11 104	11 623
Disposals	-	-	-917	-	-	-917
Reclassification	-	-	475	-	-	475
As of December 31, 2022	11 144	6 343	17 182	5 976	29 701	70 346
Accumulated amortization and impairments						
As of January 1, 2021	9 139	5 847	15 320	1 587	-	31 893
Translation differences	293	214	-56	39	-	490
Amortization charge	398	33	925	442	-	1 798
Disposals	-	-	-185	-	-	-185
As of December 31, 2021	9 830	6 094	16 004	2 068	-	33 996
Translation differences	92	73	-133	-138	-	-106
Amortization charge	416	34	849	220	-	1 519
Disposals	-	-	-917	-	-	-917
As of December 31, 2022	10 338	6 201	15 803	2 150	-	34 492
Net book value 31/12/2022	806	142	1 379	3 826	29 701	35 853
Net book value 31/12/2021	1 194	173	1 302	4 305	18 597	25 570

¹ In 2021, software developments were reclassified from assets under construction to a separate class in intangibles assets.

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 which resulted from the acquisition of the Novartis locations Barberà del Vallès and El Masnou were set off against the consolidated equity at the date of purchase. If the goodwill and badwill had been capitalized, the effect on the financial statements would have been as follows:

In 1000 CHF (for the years ended December 31)	2022	2021
Theoretical goodwill/(badwill)		
As of January 1	118 975	159 200
Badwill allocation	- 1 054	-40 225
As of December 31	117 921	118 975
Accumulated amortization		
As of January 1	80 608	72 675
Amortization	7 860	7 933
As of December 31	88 468	80 608
Theoretical goodwill/(badwill) December 31	29 453	38 367

The theoretical useful life applied for straight-line amortization is 15 years as the acquisitions are regarded as long-term investments for Siegfried. The goodwill/badwill from business combinations is translated into Swiss francs at the rate prevailing at the date of acquisition. This procedure avoids foreign exchange adjustments to the theoretical goodwill and badwill movements.

In 1000 CHF (for the years ended December 31)	2022	2021
Operating result according to income statement	230 777	131 953
Amortization of goodwill	-7 860	-7 933
Theoretical operating result incl. amortization of goodwill	222 917	124 020
Net profit according to income statement	156 490	95 600
Amortization of Goodwill	-7 860	-7 933
Theoretical net profit incl. amortization of goodwill	148 630	87 667
Equity according to balance sheet	790 928	688 217
Theoretical capitalization of goodwill (net book value)	29 453	38 367
Theoretical equity incl. net book value of goodwill	820 381	726 584

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.

The share in Alpine Dragon Pharmaceuticals Ltd., Huangyang was sold as of September 30, 2022.

5. Income Taxes

In 1000 CHF	2022	2021
Current tax expense	48 626	24 196
Deferred tax expense	13 658	6 732
Total income taxes	62 284	30 928
Profit before income tax	218 774	126 527
Group's effective income tax rate	28.5%	24.4%

In 1000 CHF	2022	2021
Average expected tax rate	25.7%	21.8%
Average expected income taxes	56 067	27 550
Non-recognition of tax loss carry-forwards	7 380	-177
Effect of unrecognized tax loss carry-forwards used against taxable profits	-	-416
Income taxes from prior periods, net	-2 419	999
Other effects	1 256	2 972
Group's effective income taxes	62 284	30 928
Group's effective income tax rate	28.5%	24.4%

In 2022, the Group's average expected tax rate is 25.7% (2021: 21.8%). The effective tax rate based on earnings before taxes is 28.5% (2021: 24.4%). The increase in the tax rate is mainly influenced by the significant interest rate effect on liabilities of foreign pension plan in Germany, where the related deferred tax asset release is calculated with a 30% tax rate, see note 18.

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, 2021	Change	December 31, 2022
Deferred tax assets	35 800	-12 850	22 950
Deferred tax liabilities	10 970	1 609	12 579

Deferred tax assets of about CHF 23.0 million (2021: CHF 35.8 million) consist of temporary differences and tax loss carry-forwards from individual subsidiaries. As of December 31, 2022, deferred tax assets were capitalized of CHF 5.8 million on tax loss carry-forwards (2021: CHF 5.8 million). The other deferred tax assets of CHF 17.2 million are mainly due to temporary differences on liabilities of foreign pension plans and the step up of trademark rights (2021: CHF 30.0 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	2022	2021
Expiry of unrecognized tax losses and tax credits		
Within one year	3 506	16 199
Between one and five years	9 280	28 018
More than five years	38 363	40 604
Total unrecognized tax losses and tax credits	51 149	84 821

In addition, the Group has available CHF 51.1 million unrecognized tax loss carry-forwards and tax credits (2021: CHF 84.8 million).

6. Inventories

In 1000 CHF	2022	2021
Raw materials	164 552	142 916
Semifinished goods	200 338	160 228
Finished goods and trading goods	70 737	81 670
Valuation allowances for inventory	-29 845	-20 159
Total inventories	405 782	364 656

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

As of December 31, 2022, there are CHF 5.7 million semifinished goods from PoCM orders booked in inventory (2021: CHF 3.1 million).

7. Trade Receivables

In 1000 CHF	2022	2021
Trade receivables	339 862	268 177
Allowances for doubtful accounts	-2 096	-1 149
Total trade receivables	337 767	267 028

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	2022	2021
Not yet due	317 904	241 410
Due 0–3 months	22 159	20 062
Due >3 months	-2 296	5 556
Total trade receivables	337 767	267 028

8. Other current assets

Other current assets of CHF 62.6 million (2021: CHF 65.9 million) are primarily composed of VAT receivables of CHF 44.5 million (2021: CHF 38.4 million) and from receivables from social insurance, advance payments to suppliers, receivables from environmental duties and precious metal deposit balances totalling CHF 7.3 million (2021: CHF 7.9 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, which was received in 2022 (see note 22).

9. Accrued income and prepaid expenses

Deferred income amounts to CHF 43.7 million (2021: CHF 49.6 million) and mainly includes periodic accruals for future services already paid. Furthermore, an accrual of CHF 19.6 million (2021: CHF 25.2 million) was recognized 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 2022 aggregating USD 45.0 million (2021: USD 56.6 million and EUR 40.0 million). The changes in fair value of these foreign exchange contracts are recognized in the financial result and in equity depending on the underlying instrument.

In 1000 CHF	Contract value		Positive fair value		Negative fair value	
	2022	2021	2022	2021	2022	2021
Foreign currency swaps	41 544	92 964	258	460	1	–
Total	41 544	92 964	258	460	1	–

11. Treasury Shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2022, the book value of the treasury shares was CHF 102.1 million (2021: CHF 78.7 million). In 2022, Siegfried held 220 527 shares at year end which is an increase by 35 060 shares (2021: increase by 16 078 shares). The shares are valued at the average rate.

CHF	Number of shares	Average prices
At January 1, 2021	169 389	391.20
Purchases 2021	16 599	762.70
Sales 2021	– 521	838.00
At December 31, 2021	185 467	424.30
Purchases 2022	36 618	658.20
Sales 2022	– 1 558	686.50
At December 31, 2022	220 527	463.04

12. Share Capital – Hybrid Capital – Conditional Capital

As of December 31, 2022 the share capital amounts to CHF 79.8 million and it is divided into 4 432 000 registered shares each with a par value of CHF 18.00 (2021: 4 396 000 registered shares each with a par value of CHF 21.20). The nominal value per share was reduced from CHF 21.20 each to CHF 18.00 each by resolution of the general assembly on April 13, 2022.

The two private hybrid convertible bonds issued by Siegfried Holding AG are subordinated bonds with an infinite 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 in 1000 CHF	Interest Rate	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 2022, Siegfried Holding AG has conditional capital of CHF 1 494 000 for the creation of 83 000 shares (par value of CHF 18.00) to serve the Long Term Incentive Plan (LTIP) and other employee benefit plans (2021: CHF 2 522 800 for 119 000 shares with a par value of CHF 21.20).

In 2022, 36 000 shares were allocated for participation programs from conditional capital (2021: 45 000 shares).

Conditional capital (number of shares)	December 31, 2021	Change	December 31, 2022
Long Term Incentive Plan (LTIP) and other employee benefit plans	119 000	-36 000	83 000
Total	119 000	-36 000	83 000

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 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, 2022, the syndicated loan was utilized in the amount of CHF 310.0 million (2021: CHF 280.0 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, 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
As of December 31, 2021	15 778	25 455	1 584	42 817
Thereof current	3 834	8 835	1 530	14 199
Thereof non-current	11 944	16 620	54	28 618
As of January 1, 2022	15 778	25 455	1 584	42 817
Costs incurred	-1 567	-3 106	-	-4 673
Additions, interest	215	0	60	275
Releases of unused provisions	-	-	-1 385	-1 385
Currency translation	-	1 207	-46	1 161
As of December 31, 2022	14 426	23 556	212	38 194
Thereof current	2 944	7 205	162	10 311
Thereof non-current	11 481	16 352	51	27 884

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. Possible remediation obligations of CHF 14.4 million have been provided for (2021: CHF 15.8 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 1.6 million (2021: 3.9 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 2% (2021: 2%) to the present value of the expected expenditures. The compounding amounted to CHF 0.2 million (2021: discount CHF 0.3 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments. In the reporting year, the review result in no changes of the provision (2021: release of CHF 0.8 million).

Restructuring provisions

In prior year, the remaining restructuring provision of CHF 0.5 million at Siegfried Pharma AG, Zofingen has been used.

With the recording of the net assets of the two Spanish production sites in 2021, due to decreasing needs of the seller and measures already initiated before the acquisition, restructuring provisions of CHF 27.7 million had to be recognised. It is not assumed that this can be compensated by new business. At the end of the reporting period the provision amounted to CHF 23.6 million (2021: 25.5 million). In 2022, CHF 3.1 million have been used (2021: CHF 1.3 million).

Other provisions

Other provisions of CHF 0.2 million (2021: 1.6 million) include product warranties and legal claims. A possible tax liability of CHF 1.5 million was released in the reporting period.

15. Other Non-Current Liabilities

Other non-current liabilities of CHF 52.7 million (2021: CHF 59.6 million) contains in addition to obligations for long-service awards a liability of CHF 50.2 million (2021: 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 51.2 million (2021: CHF 52.6 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 86.0 million (2021: CHF 63.7 million) primarily consisting of VAT liabilities, precious metal obligations and current employee liabilities in the amount of CHF 53.2 million (2021: CHF 26.5 million), customer advance payments of CHF 7.6 million (2021: CHF 12.7 million), a liability of CHF 3.9 million (2021: 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 9.8 million (2021: CHF 8.0 million) from the MSA with Novartis.

18. Employee Benefits and Personnel Expenses

In 1000 CHF	2022	2021
Wages and salaries	279 875	266 117
Share-based payments	10 342	13 756
Pension expense	-27 618	769
Expenses for other long-term employee benefits	331	947
Social and other personnel expenses	65 093	68 040
Total personnel expenses	328 022	349 629

In the year under review, the average number of employees (in full-time positions) was 3 564 (2021: 3 432).

The discount rate for the interest on pension liabilities in Siegfried PharmaChemikalien Minden GmbH (DE) increased by 280 basis points (2021: increased by 40 basis points).

Pension liabilities and economic benefits are as follows:

In 1000 CHF	Excess/insufficient cover ¹		Economic part for the company		Change vs. PY or taken to the Income Statement in the FY ²	Contributions limited to the period	Pension expenses (personnel) ³	
	31/12/2021	31/12/2022	31/12/2021	31/12/2022			2022	2022
Pension institutions with surplus (CH)	88 457	-	-	-	-	10 041	11 002	9 808
Pension plans without own assets (DE)	-123 037	-80 358	-129 085	-48 727	3 613	-39 953	-11 227	
Pension plans without own assets (FR)	-1 547	-1 156	-1 623	-467	10	-389	-72	
Pension plans without own assets (USA)	-462	-473	-456	17	1 456	1 467	1 520	
Pension plans without own assets (SP)	-222	122	-233	-355	606	255	740	
Total	-36 811	-81 865	-131 397	-49 532	15 726	-27 618	769	

¹ 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, SP & USA), the reported value corresponds to the economical part for the company of the previous year converted using the 2022 year-end balance sheet rate.

² Currency effects adjusted.

³ Including result from ECR.

The employer contribution reserves are as follows:

	Nominal value	Waiver of usage	Other value adjustments		Balance Sheet asset	Result from ECR in personnel expenses	
In 1000 CHF	31/12/2022	31/12/2022	31/12/2022	31/12/2022	31/12/2021	2022	2021
Pension schemes (CH)	9 018	–	–	9 018	9 979	961	–398
Total	9 018	–	–	9 018	9 979	961	–398

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. The plan was introduced in 2014 and was revised in 2021 to make appropriate adjustments to take account of the significant growth of the company and the strong increase in the share price.

Between 0 and 2 shares can be allocated per PSU for LTIP grants prior to 2022 (grant 2020 and 2021) with a vesting in 2023 and 2024. 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.

Between 0 and 1.5 shares can be allocated per PSU for LTIP grants after 2022 (grant 2022) with a vesting in 2025. The plan defines a target amount for the growth in total shareholder return, compound annual growth rate (CAGR) on total shareholder return (TSR weighting 100%). Absolute TSR is the plan target and aims to link the LTI value at vesting directly with the absolute value created by the company for its shareholders. After allocation, 50% of the shares remain restricted for a three year restriction period starting on the vesting date.

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 2022 and 2021:

Plan period	Numbers of PSU	Fair Value (CHF)	Personnel expense (in 1000 CHF)
2020–2022	23 199	193.83	1 268
2021–2023	25 576	805.52	6 628
2022–2024	16 717	650.72	3 916
Total			11 812

Plan period	Numbers of PSU	Fair Value (CHF)	2021 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
Total			10 844

In March 2022, the shares were transferred for the performance period 2019–2021. The target achievement and thus the performance factor was 162.9%, i.e. 1.628 shares were allocated per PSU, see Remuneration Report.

In addition to the Long Term Incentive Plan (LTIP) an equity plan exists for employees that are not able to participate in the LTIP (Employee Share Purchase Plan – ESPP). In 2022, total 1 865 shares (2021: 2993 shares) were bought by employees. The total expense for Siegfried (share 30%) for the ESPP amounted in the reporting year to CHF 1.1 million (2021: CHF 1.0 million).

20. Other Operating Income

The Other Operating Income of CHF 4.2 million (2021: CHF 4.1 million) includes mainly revenues from the sale of side products amounting to CHF 1.3 Mio. (2021: CHF 2.4 million), income from insurance payments of CHF 1.8 million and miscellaneous other incomes.

21. Financial Result

The Financial Result of CHF 12.0 million (2021: CHF 5.4 million) comprises CHF 7.8 million financial expense (2021: CHF 4.2 million), financial income of CHF 0.1 million (2021: CHF 0.1 million) and foreign exchange differences of CHF 4.3 million loss (2021: CHF 1.4 million loss).

The financial expense includes CHF 7.6 million (2021: CHF 3.9 million) for debt interest and fees and CHF 0.2 million for the compounding of the environmental reserve (2021: CHF 0.3 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 purchase price was calculated as follows:

In 1000 CHF	Final December 31, 2022	Provisional January 1, 2021
Purchase price paid	135 812	135 812
Purchase price adjustment (Other accounts receivable)	-11 155	-10 101
Earn-out	63 702	63 702
Transaction costs	3 073	3 073
Purchase price	191 431	192 485

In the coming years, further volume- and performance-related payments to the seller in the amount of up to CHF 54.1 million will be due. This earn-out will possibly take place in the period up to 2028 and is divided into a current liability of CHF 3.9 million (see note 17) and a non-current liability of CHF 50.2 million (see note 15). It is Siegfried's intention to finance these liabilities from current operating cash flow.

In 1000 CHF	Final December 31, 2022	Provisional January 1, 2021
Purchase price	191 431	192 485
Net assets acquired	232 710	232 710
Badwill	-41 279	-40 225

The badwill of CHF 41.3 million resulting from the transaction was offset against equity.

In 1000 CHF	2022	Provisional 2021
Purchase price paid	11 155	-135 812
Transaction costs		-3 073
Cash acquired		2 356
Cashflow acquisition Group companies	11 155	-136 529

The fair value of the identifiable assets and liabilities (purchase accounting) did not change to prior year. Net assets are as follows:

In 1000 CHF	January 1, 2021
Cash	2 352
Inventories	38 254
Accounts receivables trade	17 596
Other current assets	718
Non-current assets	236 182
Current liabilities	-44 555
Non-current liabilities	-17 837
Net Assets	232 710

23. Earnings per Share

For the calculation of earnings per share, net profit is divided by the weighted average number of shares outstanding, deducting treasury shares.

	2022	2021
Net profit attributable to Siegfried shareholders (in 1000 CHF)	156 490	95 600
Weighted average number of shares outstanding	4 221 042	4 205 433
Non-diluted earnings per share	37.07	22.73
Net profit attributable to Siegfried shareholders (in 1000 CHF)	156 490	95 600
Weighted average number of shares outstanding	4 221 042	4 205 433
Adjustment for assumed exercise of share-based payments, where dilutive	92 374	134 661
Diluted earnings per share	36.28	22.03

Earnings per share are calculated excluding interest on hybrid bonds. Including interest expense attributable to hybrid equity holders, basic earnings per share are CHF 36.95 (2021: CHF 21.85) and diluted earnings per share are CHF 36.16 (2021: CHF 21.17).

24. Distribution per Share

At the Annual General Meeting on April 20, 2023 the Board of Directors will propose to reduce the par value from CHF 18.00 per share by CHF 3.40 to CHF 14.60 per share and to distribute the amount of the par value reduction of CHF 3.40 per share instead of a dividend (2021: par value reduction CHF 3.20 per share).

The repayment of the par value reduction is expected to take place in early July 2023 in accordance with capital reduction procedure in Switzerland under Swiss law.

25. Contingent Assets

Siegfried has potential claims from contracts for payments in the maximum amount of CHF 34.4 million (2021: 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 syndicated loan, there is no guarantee at the end of the year (2021: none). At December 31, 2022, 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 (2021: 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	2022	2021
Due under 1 year	7 094	6 676
Due between 1 and 5 years	23 982	23 136
Due after 5 years	32 183	36 264
Total lease liabilities	63 259	66 076

Of these liabilities CHF 50.1 million (2021: 52.8 million) relate to the new administration buildings in Zofingen, as well as the other production sites as follows: Malta CHF 1.6 million (2021: CHF 1.8 million), Minden CHF 2.4 million (2021: CHF 2.7 million), Hameln CHF 0.5 million (2021: CHF 0.6 million) and Irvine CHF 8.6 million (2021: CHF 8.2 million).

28. Transactions with Related Parties

As in prior year no transaction with related parties took place in 2022 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	2022	2021
Drug Substances	753.7	656.0
Drug Products	475.8	446.4
Total net sales	1 229.5	1 102.4

Net Sales by Foreign Currency

In CHF million	2022	2021
in CHF	377.1	322.4
in EUR	677.3	615.0
in USD	175.7	165.0
in other currencies	-0.6	0.1
Total net sales	1 229.5	1 102.4

The Net Sales of CHF 1 229.5 million include CHF 15.3 million (2021: CHF 10.3 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 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 2022 and the consolidated income statement, consolidated statement of changes in equity, the 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 2022 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.

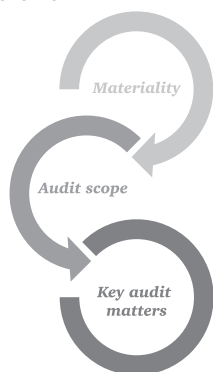
Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). 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 9 000 000

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

Our audit scope addressed 93% of the sales revenue and 92% of the assets of the Group.

Additionally, either specified audit procedures or a review were concluded at a further three group companies in two countries, which addressed a further 6% of the sales revenue and 4% of the assets of the Group.

As key audit matter the following area of focus has been identified:

Recoverability of Inventories

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 9 000 000
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.

Key Audit Matters

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

Key audit matter

As of December 31, 2022, the net carrying value of inventories amounted to CHF 406 million. This corresponds to around 23% 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 2022 annual report.

How our audit addressed the key audit matter

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, 2022.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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 SA-CH 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 on EXPERTsuisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

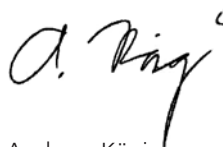
In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Illi
Licensed audit expert
Auditor in charge



Andreas Kägi
Licensed audit expert

Basel, 16 February 2023



Financial Statement of Siegfried Holding AG

Balance Sheet of Siegfried Holding AG

In CHF (as of December 31)	2022	2021
Assets		
Current assets		
Cash and cash equivalents	77 118 407	49 665 574
Securities	106 139	315 984
Other current receivables due from third parties	534 063	11 056 054
Other current receivables due from Group companies	68 136 940	56 855 481
Accrued income and prepaid expenses	1 458 193	1 738 251
Total current assets	147 353 742	119 631 343
Non-current assets		
Loans to Group companies	740 003 277	722 462 916
Investments	402 106 344	403 160 539
Total non-current assets	1 142 109 621	1 125 623 455
Total assets	1 289 463 363	1 245 254 798
In CHF (as of December 31)	2022	2021
Liabilities and shareholders' equity		
Current liabilities		
Other short-term liabilities due from third parties	6 099 145	5 475 567
Other short-term liabilities due from Group companies	94 794 522	61 459 368
Accrued expenses and deferred income	16 127 352	24 557 324
Short-term provisions	6 905 951	9 090 184
Total short-term liabilities	123 926 970	100 582 444
Non-current liabilities		
Long-term interest-bearing liabilities third parties	510 000 000	480 000 000
Long-term financial liabilities due from Group companies	–	5 372 120
Other long-term liabilities to third parties	50 192 128	56 791 573
Long-term provisions	16 351 530	17 272 953
Long-term hybrid capital	80 000 000	80 000 000
Total long-term liabilities	656 543 658	639 436 646
Total liabilities	780 470 628	740 019 090
Shareholders' equity		
Share capital	79 776 000	93 195 200
Legal reserves	3 869 000	3 869 000
Reserves from capital contribution	76 502 760	52 564 970
Voluntary reserves	434 950 675	427 828 576
Treasury shares	–102 112 402	–78 697 043
Statutory retained earnings	16 006 703	6 475 005
Total shareholders' equity	508 992 735	505 235 707
Total liabilities and shareholders' equity	1 289 463 363	1 245 254 798

Income Statement of Siegfried Holding AG

In CHF	2022	2021
Income		
Financial income	22 982 200	12 857 521
Service income	28 327 295	28 110 840
Total income	51 309 495	40 968 361
Expenses		
Personnel expense	18 995 895	19 096 732
Administrative expense	4 744 585	4 088 228
Financial expense	9 296 960	10 393 362
Taxes	2 265 354	915 035
Total expenses	35 302 793	34 493 357
Net profit	16 006 703	6 475 005

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 the 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 CO).

The number of full-time equivalent employees for the year remains unchanged from the previous year and ranges between 10 and 50.

Guarantees and Securities

In connection with the syndicated loan, there is no guarantee at the end of the year (2021: none). At December 31, 2022, 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 (2021: CHF 20.0 million and EUR 3.8 million).

Balance Sheet

Investments

As of December 31, 2022, Siegfried Holding AG held the following direct or significant indirect investments:

Group companies	in LC	Participation	Share capital 2022	Share capital 2021
Operating				
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 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	503'000
Siegfried El Masnou, S.A., El Masnou (Spain)	EUR	100.00%	10 099 778	10 099 778
Finance and administration				
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
Joint venture				
Alpine Dragon Pharmaceuticals Ltd., Huangyang, Gansu Province (China) *	CNY	49.00%	–	10 542 708

* The share in Alpine Dragon Pharmaceuticals Ltd., Huangyang was sold as of September 30, 2022.

Non-Current Assets

Investments in subsidiaries and affiliates include those companies in which Siegfried Holding AG has a 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 2022 by CHF 17.5 million (2021: increased 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 14.2 million and partially offset by the issue of shares under the employee benefit programmes of CHF 0.8 million, resulting in a net decrease of CHF 13.4 million. It is divided into 4 432 000 registered shares each with a par value of CHF 18.00 (2021: 4 396 000 registered shares with a par value of CHF 21.20).

The capital contribution reserve increased as a result of the capital increase of conditional capital by CHF 23.9 million to CHF 76.5 million (2021: CHF 52.6 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 1 494 000 for 83 000 shares (2021: CHF 2 522 800 for 119 000 shares), after the creation of 36 000 shares.

Treasury Shares

In the reporting year Siegfried Holding AG has made purchases and sales of Siegfried shares. On balance Siegfried held 220 527 shares at year end which is an increase by 35 060 shares (2021: increase by 16 078 shares). The shares are valued at the average rate.

CHF	Number of shares	Average prices
At January 1, 2021	169 389	391.20
Purchases 2021	16 599	762.70
Sales 2021	-521	838.00
At December 31, 2021	185 467	424.30
Purchases 2022	36 618	658.20
Sales 2022	-1 558	686.50
At December 31, 2022	220 527	463.04

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 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, 2022, the syndicated loan was utilized in the amount of CHF 310.0 million (2021: CHF 280.0 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 infinite 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 in 1000 CHF	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

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, 2022, 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 (2021: none).

Share Ownership of the Board of Directors and the Executive Management

In 2022, 1344 shares with a value of CHF 0.9 million were distributed to the members of the Board of Directors (2021: 1221 shares with a value of CHF 0.9 million). On December 31, 2022, the non-executive members of the Board of Directors and persons closely related to them owned 30 398 (2021: 40 015) registered shares of Siegfried Holding AG. This represents 0.7% (2021: 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 73 546 (2021: 65 723) registered shares, i.e. 1.7% (2021: 1.5%) of the share capital of Siegfried Holding AG.

December 31, 2022			
	Function	Number of shares	of which blocked
Board of Directors			
Andreas Casutt	Chairman	20 000	1 250
Martin Schmid	Vice-Chairman	2 274	625
Colin Bond	Member	3 774	625
Wolfram Carius	Member	3 274	625
Isabelle Welton	Member	740	625
Alexandra Brand	Member	168	168
Beat Walti	Member	168	168
Total		30 398	4 086
Executive Management			
Wolfgang Wienand	CEO	24 583	–
Reto Suter	CFO	11 126	–
Irene Wosgien	Chief Operating Officer DS	750	–
Marcel Imwinkelried	Chief Operating Officer DP	328	–
Arnoud Middel	Chief Human Resources Officer	3 897	–
Marianne Späne	Chief Business Officer	30 780	–
Jürgen Roos	Chief Scientific Officer	2 082	980
Total		73 546	980
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
Total		40 015	6 085
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
Total		65 723	980

Major Shareholders

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

	Reported number of shares 2022	Reported participation in % 2022	Reported number of shares 2021	Reported participation in % 2021
Ernst Göhner Stiftung, Zug, Switzerland	324 983 ¹	7.3	286 019 ⁷	6.6
Swisscanto Fondsleitung AG, Zurich, Switzerland	132 977 ²	3.0		
BlackRock, Inc., New York, USA			141 538 ⁸	3.3
Credit Suisse Funds AG, Zurich, Switzerland	129 258 ³	3.0	129 258 ³	3.0
René Braginsky, Susanne Braginsky, David Braginsky; Zurich/Tel Aviv	128 000 ⁴	3.0	128 000 ⁴	3.0
Siegfried Holding AG (own shares)	127 824 ⁵	3.0	127 824 ⁵	3.0
Dimensional Holdings Inc., Wilmington, USA	126 587 ⁶	3.0	126 587 ⁶	3.0
Total	969 629	22.3	939 226	21.9

¹ According to the disclosure notification of May 17, 2022; including a purchase position of 98983 shares, representing 2.3%.

² According to the disclosure notification of May 3, 2022.

³ According to the disclosure notification of April 2, 2019.

⁴ According to the disclosure notification of December 12, 2018.

⁵ According to the disclosure notification of December 12, 2018. For current holdings as of December 31, 2022 see section Treasury Shares.

⁶ According to the disclosure notification of March 3, 2018.

⁷ According to the disclosure notification of October 6, 2020; including a purchase position for 98759 shares, representing 2.3%.

⁸ According to disclosure notification on November 14, 2020.

Net dissolution of hidden reserves

In the reporting period, hidden reserves in the amount of CHF 10.6 million were dissolved (2021: no dissolution of hidden reserves).

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 20, 2023, regarding Appropriation of the Retained Earnings and the Repayment of Par Value from Share Capital

In CHF	2022
Balance brought forward	–
Profit for the year	16 006 703
Statutory retained earnings	16 006 703
Appropriation of retained earnings to voluntary reserves	–16 006 703
Balance to be carried forward	–

At the Annual General Meeting on April 20, 2023 the Board of Directors will propose to reduce the par value from CHF 18.00 per share by CHF 3.40 to CHF 14.60 per share and to distribute the amount of the par value reduction of CHF 3.40 per share instead of a dividend.

The repayment of the par value reduction is expected to take place in early July 2023 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 (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 47 to 56) 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 Standards on Auditing (SA-CH). 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 Company 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.

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.

Key Audit Matters

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH 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 on EXPERTSuisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of the 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
Licensed audit expert
Auditor in charge



Andreas Kägi
Licensed audit expert

Basel, 16 February 2023



Information for Investors

Key Figures Overview 2018–2022

Consolidated Figures

		2022	2021	2020	2019	2018
Net sales	CHF million	1 229.5	1 102.4	845.1	833.5	794.3
Growth in CHF	in %	11.5	30.5	1.4	4.9	5.8
Growth in LC	in %	15.6	30.3	4.5	6.9	4.4
Core EBITDA	CHF million	272.5	207.2	149.4	140.7	126.5
Growth	in %	31.5	38.8	6.2	11.3	13.6
Core EBITDA margin	in %	22.2	18.8	17.7	16.9	15.9
Core EBIT (operating profit)	CHF million	190.8	124.4	94.3	89.2	76.9
Growth	in %	53.3	32.0	5.8	16.0	24.2
Core EBIT margin	in %	15.5	11.3	11.2	10.7	9.7
Core net profit	CHF million	127.8	95.3	72.5	65.7	55.4
Core net profit margin	in %	10.4	8.6	8.6	7.9	7.0
Net debt	CHF million	418.5	407.4	85.6	109.6	70.1
Net debt / Core EBITDA		-1.5	-2.0	-0.6	-0.8	-0.6
Net Working Capital ¹	CHF million	621.9	506.6	424.4	419.7	373.0
As % of net sales		50.6	46.0	50.2	50.4	47.0
Total assets	CHF million	1 793.2	1 669.2	1 242.3	1 168.7	1 103.1
Equity	CHF million	790.9	688.2	733.2	691.7	678.8
Equity ratio	in %	44.1	41.2	59.0	59.2	61.5
Average capital employed ²	CHF million	1 349.6	1 276.4	916.1	895.9	880.5
Return on capital employed (average) ROCE ³	in %	20.2	16.2	16.3	15.7	14.4
Cash flow from operating activities	CHF million	142.3	119.7	114.8	65.6	106.0
As % of net sales		11.6	10.9	13.6	7.9	13.3
Free cash flow ⁴	CHF million	27.2	6.5	45.7	3.8	46.0
Investments in PPE and intangible assets	CHF million	115.2	113.4	69.1	61.9	60.1
As % of net sales		9.4	10.3	8.2	7.4	7.6
Employees (number of FTEs) ⁵	Number	3 564	3 432	2 532	2 407	2 294

¹ Calculation of Net Working Capital: Trade Receivables + Inventories – Trade Payables – Customer Prepayments.

² Calculation of Capital Employed over twelve months: PPE + Intangible Assets + Net Working Capital.

³ Calculation ROCE: Core EBITDA in relation to average capital employed over twelve months.

⁴ Calculation Free Cashflow: Operating Cashflow +/- Investment in PPE +/- Investment in Intangible Assets.

⁵ 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 (discount rate for actuarial reports) and extraordinary inflation effects of foreign pension plans, 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 2022 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	1 229 518	–	–	–	–	–	–	1 229 518
Cost of goods sold	–910 628	–	–	–	–	–	–	–910 628
Gross profit	318 890	–	–	–	–	–	–	318 890
Marketing and sales costs	–18 124	–	–	–	–	–	–	–18 124
Research and development costs	–43 175	–	–	–	–	–	–	–43 175
Administration and general over- head costs	–31 073	–46 026	6 035	–	–	–	–	–71 063
Discount rate change and extraor- dinary inflation effects on foreign pension liabilities	–	–47 192	–	–	–	–	–	–
Current net interest on foreign pension liabilities	–	1 167	–	–	–	–	–	–
Other operating income	4 259	–	–	–	–	–	–	4 259
Operating result (EBIT)	230 777	–46 026	6 035	–	–	–	–	190 787
Financial result	–12 003	–1 167	–	–	–	–	–	–13 170
Profit before income taxes	218 774	–47 192	6 035	–	–	–	–	177 617
Income taxes	–62 284	13 829	–1 355	–	–	–	–	–49 811
Net profit	156 490	–33 364	4 680	–	–	–	–	127 806
EBITDA	312 525	–46 026	6 035	–	–	–	–	272 535

Interest effect on pension liabilities

According to Swiss GAAP FER, the effects of interest on pension liabilities and inflation effects 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 280 basis points for the interest on pension liabilities in Siegfried PharmaChemikalien Minden GmbH, Germany, accounts for the majority of the approximately CHF 40.0 million core adjustment. Also, capitalized inflation impacts were neutralized, as linked to the increase of interest rates and likely to change in the following periods.

The current net interest on pension liabilities in the amount of CHF 1.2 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 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
Gross profit	239 570	–285	–	–	–	–	–	239 285
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
Operating result (EBIT)	131 953	–12 793	1 194	4 075	–	–	–	124 430
Financial result	–5 426	–767	–	–	–	–	–	–6 193
Profit before income taxes	126 527	–13 560	1 194	4 075	–	–	–	118 237
Income taxes	–30 928	3 975	136	453	–	3 405	–	–22 959
Net profit	95 600	–9 585	1 330	4 528	–	3 405	–	95 278
EBITDA	214 770	–12 793	1 194	4 075	–	–	–	207 246

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.

Stock Market Data

			2022	2021	2020	2019	2018
Registered shares nom. CHF 18.00 ²			4 432 000	4 396 000	4 351 000	4 306 000	4 256 748
Share capital		CHF million	79.8	93.2	105.3	116.3	8.5
Distribution per registered share ²		CHF	3.40	3.20	3.00	2.80	2.60
Total distribution ²		CHF	15 068 800 ¹	14 067 200	13 053 000	12 056 800	10 686 699
Market prices registered share	high	CHF	879.5	934.5	689.0	469.0	469.5
	low	CHF	573.0	618.0	313.5	321.5	304.0
	31/12	CHF	613.5	889.5	651.5	469.0	336.0
Distribution yield per registered share		%	0.6	0.4	0.5	0.7	0.8
Non-diluted core earnings per share (CHF) ^{3,7}		CHF	30.28	22.66	17.50	15.88	12.81
Diluted core earnings per share (CHF) ^{4,7}		CHF	29.63	21.95	16.90	15.48	12.49
Consolidated operating cash flow per registered share ³		CHF	33.7	28.1	26.4	15.1	25.4
Consolidated equity and reserves per registered share ³		CHF	187.4	163.6	168.5	160.6	162.7
P/E ratio (year-end) ⁵			21	41	39	30	27
Market capitalization at year-end ⁶		CHF million	2 584	3 745	2 724	1 940	1 363

¹ Repayment of par value, proposal to the general assembly of April 20, 2023.

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

³ Calculated on the weighted average number of shares outstanding, deducting treasury shares.

⁴ Adjustment for assumed exercise of share-based payments, where dilutive.

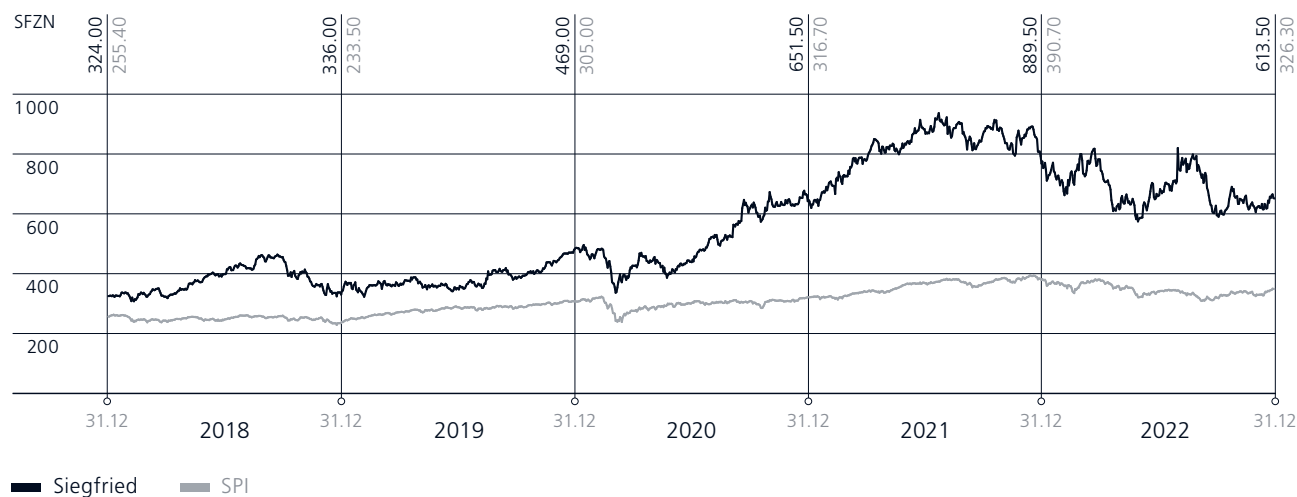
⁵ Calculated on the basis of year-end share price and diluted EPS.

⁶ Calculated on the number of listed shares, net of treasury shares.

⁷ Core EPS upon 2018, prior years not adjusted.

Share Price Development

from January 1, 2018, to December 31, 2022



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 2023 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 2022 financial year, ending 31 December 2022. The future-oriented topics dealt within the report represent an exception. Siegfried’s Annual Report appears annually and was last published in February 2022 as PDF on our corporate website. The next report will come out in spring 2024.

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 2022 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 Elevate, a consulting company specialized in the management of sustainability issues.

Sustainability Report in Reference with GRI Standards

This report has been prepared in reference with the GRI Standards. Please refer to the detailed GRI content index on our website.

Publications

The Siegfried Group is committed to an open and consistent information policy. The media, financial analysts and other interest groups are continuously informed about important developments and events. Shareholders are informed semi-annually on the state of the business and receive the annual report and the semi-annual report upon request.

The annual report, minutes of the previous General Meeting, media releases, important information and the current share price can be found at www.siegfried.ch. A news conference is held annually for the media and financial analysts.

Siegfried Holding AG consistently complies with the disclosure requirements (ad hoc publicity) of the SIX Swiss Exchange in the case of events relevant to the share price.

Calendar

In 2023, the company will inform about:

February 22, 2023

Publication of results for the 2022 business year at a media and analyst conference in Zurich

April 20, 2023

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

August 17, 2023

Publication of 2023 half-year financial results

Publisher's Note

This Annual Report is published in German and English.

This is an excerpt of Siegfried's Annual Report 2022. All chapters of Siegfried's Annual Report 2022 can be downloaded at report.siegfried.ch.

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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 Stock Exchange (SIX: SFZN).

**expect
more**

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