



Financial Report 2018

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

Key Figures

	2018	2017 ¹	Change CHF (LC)
Net sales (million CHF)	794.3	750.5	+5.8% (+4.4%)
Gross profit (million CHF)	156.5	138.8	+12.8%
Gross profit margin (%)	19.7%	18.5%	
Results before special effects²			
EBITDA (million CHF)	127.4	111.3	+14.5%
EBITDA margin (%)	16.0%	14.8%	
EBIT (operating result) (million CHF)	77.8	61.9	+25.7%
EBIT margin (%)	9.8%	8.3%	
Net profit (million CHF)	57.5	40.8	+40.9%
Net profit-margin (%)	7.2%	5.4%	
Non-diluted earnings per share (CHF)	13.81	10.28	+34.3%
Diluted earnings per share (CHF)	13.38	9.97	+34.2%
Results after special effects			
EBITDA (million CHF)	125.9	111.3	+13.1%
EBITDA margin (%)	15.8%	14.8%	
EBIT (operating result) (million CHF)	76.3	61.9	+23.2%
EBIT margin (%)	9.6%	8.3%	
Net profit (million CHF)	56.3	40.8	+37.9%
Net profit-margin (%)	7.1%	5.4%	
Non-diluted earnings per share (CHF)	13.52	10.28	+31.5%
Diluted earnings per share (CHF)	13.10	9.97	+31.4%
Cash flow from operating activities (million CHF)	106.0	84.6	+25.2%
Free cash flow (million CHF)	46.0	32.3	+42.1%
Investment in property, plant and equipment and intangible assets (million CHF)	60.1	52.8	+13.7%
	December 31, 2018	December 31, 2017 ¹	Change
Equity (million CHF)	678.8	667.8	+1.6%
Total assets (million CHF)	1 103.1	1 071.0	+3.0%
Equity ratio (%)	61.5%	62.4%	
Employees (number of FTEs)	2 294	2 260	+1.5%

¹ Restatement see accounting policies – Employee benefits.

² Restructuring costs Siegfried Evionnaz.

Financial Commentary



Dr. Reto Suter
Chief Financial Officer

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

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

EBITDA¹ (CHF 127.4 million), EBIT¹ (CHF 77.8 million) and Net Income¹ (CHF 57.5 million) were reported clearly higher than for the previous year. Sustained growth is reflected in increased margins at all levels: EBITDA margin¹ amounted to 16.0% (2017: 14.8%²), EBIT margin¹ (9.8%, 2017: 8.3%²) and Net Income margin¹ (7.2%, 2017: 5.4%²) improved significantly.

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

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

Robust, Disproportionately High EBITDA Growth

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

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

This resulted in EBITDA¹ of CHF 127.4 million, a distinct increase of 14.5%.

Lower Financing Cost, Significantly Higher Net Profit

The financial result of CHF –6.1 million is reported higher than for the previous year (2017: CHF –4.1 million²). This is due to higher currency differences (CHF –2.5 million, 2017: CHF –0.1 million). Expenses for interest on borrowed capital and fees of CHF 3.5 million were reported slightly lower than for the previous year (2017: CHF 3.7 million²). The financial result was influenced by a correction concerning interest effects from pension obligations. The previous year's values were restated accordingly.

Tax expense for 2018 amounted to CHF 13.9 million, resulting in higher net profit¹ of CHF 57.5 million, or 40.9% above that of the previous year. Undiluted earnings per share (EPS)¹ amounted to CHF 13.81, diluted earnings per share¹ CHF 13.38 (2017: EPS² CHF 10.28, diluted EPS² CHF 9.97).

Substantial Increase in Operating Cash Flow and Free Cash Flow

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

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

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

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

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



Dr. Reto Suter,
CFO

Consolidated Balance Sheet

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

* The Notes on pages 56–64 are an integral part of the Group Financial Statements.

¹ Restatement see accounting policies – Employee benefits.

Consolidated Income Statement

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

* The Notes on pages 56–64 are an integral part of the Group Financial Statements.

¹ Restatement see accounting policies – Employee benefits.

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

Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)

	Notes*	2018	2017 ¹
Net profit		56 310	40 822
Depreciation and impairment of PP&E and intangible assets	2,3	49 607	49 374
Change in provisions	13	336	-8 850
Other non-cash items		1 118	-777
Share-based payments	18	7 382	4 891
Exchange rate differences	20	2 529	96
Financial income	20	-73	-35
Financial expenses	20	3 661	3 994
Income taxes	6	13 854	17 042
Income of associated companies	4	38	8
Net result on disposal of property, plant and equipment		187	-
Change in net working capital:			
Trade receivables		-27 274	-33 734
Other current assets and accruals		-4 487	-4 091
Inventories		19 849	1 241
Trade payables		-1 406	14 313
Other current liabilities and accruals		2 651	8 925
Payments out of provisions and pension liabilities		-6 581	-6 521
Income taxes paid		-11 700	-2 066
Cash flow from operating activities		106 001	84 632
Purchase of property, plant and equipment	2	-58 779	-51 918
Proceeds from disposal of property, plant and equipment		9	545
Purchase of intangible and other assets	3	-1 274	-922
Acquisition of Group companies	2, 3, 27	-4 754	-
Investments in financial fixed assets	5	2 895	14
Interest received		38	23
Dividend received		36	12
Cash flow from investing activities		-61 829	-52 246
Free cash flow²		45 956	32 337
Capital increase		2 025	1 371
Change in financial liabilities	12	10 000	9 024
Change in other non-current liabilities		-166	-448
Purchase/Disposal of treasury shares, net		-29 439	-19 894
Interest paid and bank charges		-10 390	-12 241
Dividend to the shareholders of Siegfried Holding AG		-9 964	-7 831
Cash flow from financing activities		-37 934	-30 019
Net change in cash and cash equivalents		6 238	2 367
Cash and cash equivalents 1/1/		34 137	31 636
Net effect of exchange rate changes on cash		-495	344
Cash and cash equivalents 31/12/		39 880	34 137

* The Notes on pages 56–64 are an integral part of the Group Financial Statements.

¹ Restatement see accounting policies – Employee benefits.² Calculation Free Cashflow: Operating Cashflow +/- Investment in PPE +/- Investment in Intangible Assets.

Consolidated Statement of Changes in Equity

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

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

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

In 1000 CHF	Share capital	Treasury shares	Capital reserves	Hybrid capital	Value fluctuations of financial instruments ¹	Accumulated profits ²	Offset Goodwill ^{1,2}	Cumulative translation adjustments ¹	Total equity
As of January 1, 2017	8 333	-51 787	75 699	315 985	161	537 898	-159 200	-66 353	660 736
Restatement pension liability prior year ³	-	-	-	-	-	-6 189	-	-	-6 189
Opening balance January 1, 2017 after restatement³	8 333	-51 787	75 699	315 985	161	531 709	-159 200	-66 353	654 547
Net profit ³	-	-	-	-	-	40 822	-	-	40 822
Dividends	-	-	-7 831	-	-	-	-	-	-7 831
Change in hybrid capital	-	-	-	-60 000	-	-8 021	-	-	-68 021
Changes in financial instruments	-	-	-	-	740	-	-	-	740
Employee share plan	-	-	-	-	-	-260	-	-	-260
Change in treasury shares	-	30 186	-	-	-	9 881	-	-	40 067
Capital increase	89	-	6 325	-	-	-	-	-	6 414
Currency translation differences	-	-	-	-	-	-	-	1 310	1 310
As of December 31, 2017³	8 422	-21 601	74 193	255 985	901	574 131	-159 200	-65 043	667 787
Net profit	-	-	-	-	-	56 310	-	-	56 310
Dividends	-	-	-9 964	-	-	-	-	-	-9 964
Change in hybrid capital	-	-	-	-	-	-6 900	-	-	-6 900
Changes in financial instruments	-	-	-	-	-1 424	-	-	-	-1 424
Employee share plan	-	-	-	-	-	-5 432	-	-	-5 432
Change in treasury shares	-	-34 538	-	-	-	5 099	-	-	-29 439
Capital increase	92	-	15 556	-	-	-	-	-	15 648
Transfer	-	-	-117	-	-	117	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-7 809	-7 809
As of December 31, 2018	8 514	-56 139	79 668	255 985	-523	623 324	-159 200	-72 852	678 777

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

Notes to the Consolidated Financial Statements

General Information

Financial Statements

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

Information about the Group

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

Method and Scope of Consolidation

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

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

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

Accounting Principles

Business Combinations

Acquisitions of subsidiary companies are reported according to the purchase method. The purchase costs of a business combination include the sum of the fair market value of the acquired assets and additional Goodwill, debts and contingent liabilities, and issued equity instruments at the acquisition date. Purchased Goodwill is eliminated against equity. If the initial accounting for a business combination is incomplete by the end of the reporting period, in which the combination occurred, the combination is accounted for using provisional amounts. Adjustment of the provisional amounts and the recognition of additionally identified assets and liabilities must be undertaken within the measurement period, if new information about facts and circumstances is obtained that existed at the acquisition date.

Segment Reporting

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

Foreign Currency Translation

The positions of the individual financial statements are valued on a functional currency basis. The Consolidated Financial Statements are denominated in Swiss francs. The functional currency of the Group companies is the respective local currency. Balance Sheets stated in foreign currencies are translated at the year-end exchange rates, the corresponding Income Statements at the average annual exchange rates, which should not differ significantly from the exchange rates prevailing on the transaction dates. The exchange rate differences arising from the translation of the Financial Statements are recognized directly in the Consolidated Equity. Exchange rate differences arising on intercompany loans that, in substance, form part of the net investment in that subsidiary, are also recognized in equity. Intercompany loans are regarded as part of a net investment in a subsidiary, if the settlement of these loans is neither planned nor likely to occur in the foreseeable future. All other exchange rate differences are included in the Income Statement.

The exchange rates applied to the Group's most important foreign currencies are as follows:

Balance Sheet

Year-end rates	2018	2017
1 USD	0.984	0.982
1 EUR	1.127	1.172
100 CNY	14.310	15.027

Income Statement

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

Property, Plant and Equipment

Property, plant and equipment are valued at acquisition or production cost less accumulated depreciation. Land is not depreciated. Depreciation is charged on a straight-line basis over the following estimated useful life of the assets:

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

If parts of a fixed asset have different useful lives, they are recognized and depreciated as separate assets. The useful lives of assets are evaluated at least once a year at the reporting date and, if necessary, amended. Property, plant and equipment are excluded from the Balance Sheet upon retirement, or when no value in use can be expected. Maintenance and repair costs are recognized in the Income Statement. Subsequent purchase and production costs are capitalized, only if a future economic benefit is expected and the costs of the asset can be reliably determined.

Leasing

Leased property, plant and equipment for which the significant risks and rewards are transferred to the Group are disclosed as Financial Leases respectively as asset and liability. All other lease agreements are classified as Operating Leases. Leasing liabilities from Operating Leases, which cannot be terminated within one year, are disclosed in the Notes to the Consolidated Financial Statements. Currently the Siegfried Group has entered only into Operating Leases and no Financial Leases.

Intangible Assets

Intangible assets consist of licenses, patents, trademarks, technology, software and land use rights in China. If there are indications of impairment, intangible assets are tested for recoverability. Software is accounted for at cost of acquisition or of production plus costs of placing it in a usable condition less accumulated amortization and any accumulated impairment losses. It is amortized on a straight-line basis over the estimated useful life. If there are indications of impairment, the software is tested for recoverability. All intangible assets are amortized over the shorter of their following legal and economic lives:

Land use rights China	50 years
Licenses, patents and trademarks	The shorter of economic or legal life, as a rule 5–20 years
Software	3–5 years

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

An assessment whether the value of non-financial non-current assets (PPE) and intangible assets with finite useful life may be impaired is undertaken if as a result of events or changed circumstances it appears possible that the carrying amounts are not recoverable. If the carrying amount exceeds the recoverable amount, then an impairment is recorded to this amount. The recoverable amount is the higher of the asset's net recoverable value and the value in use. When an impairment loss arises the useful life of the asset in question is reviewed and, if necessary, the future depreciation charge is accelerated.

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

Securities/Financial Assets

Securities are a part of the current assets and are valued at market price. If no market value is available the securities are valued at acquisition cost less any impairment. Financial assets are carried at acquisition cost less impairment, if any.

Inventories

Inventories include raw materials, supplies, semi-finished goods, finished goods and trading goods. Raw materials are measured at the lower of acquisition or production cost and net recoverable value using the perpetual weighted average price method. Production costs comprise all manufacturing costs including an appropriate share of production overheads. They are measured at standard costs. Appropriate valuation allowances are made for obsolete and slow-moving inventory items. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Settlement discounts are treated as reductions in the purchase price.

Trade Receivables

Trade receivables are included initially at nominal value and subsequently at amortized cost; this is equal to the amounts invoiced after deducting allowances for doubtful accounts. Indications for possible impairment are given if payment is delayed, the customer is experiencing financial difficulties, or re-capitalization or bankruptcy is likely. Allowances for doubtful accounts are established based on the difference between the net present value of the nominal amount of the receivables and the estimated net collectible amount. The expected loss is recognized in the Income Statement in the line item "marketing and sales". When a trade receivable becomes uncollectible, it is derecognized against the allowance for doubtful accounts.

Other Receivables

This caption includes mainly VAT receivables and other receivables. They are recorded at net realizable value.

Accrued Income and Prepaid Expenses

Accrued income is valued at nominal value and contains payments made for the following financial year and accrued income which will be received in the next period.

Cash and Cash Equivalents

Cash consists of cash, balances held in bank accounts and short-term deposits with a maturity of three months or less from the date of acquisition and are carried at current value. Cash is the defined fund of the Consolidated Cash Flow Statement.

Equity/Treasury Shares

A purchase of treasury shares by a Group company, including all costs, is recorded against equity, until the shares are redeemed, reissued, or sold. If treasury shares are issued or sold at a later date, the net consideration less directly attributable transaction costs and income taxes is recorded in equity.

Equity/Hybrid Bonds

The hybrid bonds are subordinated bonds with an indeterminate duration. Siegfried Holding AG can suspend the payment of interest if the business is achieving negative results. The hybrid bonds have a first call date after five years. If this is not exercised, the result is a higher rate of interest payable (step up). The hybrid bonds are therefore classified as equity and interest payments thereon are treated as reductions in equity.

Financial Liabilities

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

Other Liabilities

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

Accrued Expenses and Deferred Income

Accrued expenses are valued at nominal value and contain mainly payments which are due in the following financial year but should be expensed in the current financial year and accrued revenue.

Provisions

Provisions are recorded if, as a result of a past event, there is a justified probable obligation, the amount and/or due date of which is uncertain but can reasonably be estimated. The calculation of the provision is based on the estimate of the cash outflow to settle the obligation. If time is a significant factor, the amount of the provision is discounted.

Employee Benefits

Pension Plans

The Group operates various employee benefit plans in and outside Switzerland for employees who satisfy the participation criteria. The pension benefits paid are governed by the legal requirements in the respective countries. The employees of the Swiss companies in the Siegfried Group are insured in the Pensionskasse Siegfried and the employees of Siegfried Evionnaz SA in its own pension fund, both legally autonomous foundations. The pension fund is financed by employee and employer contributions. In addition there is an affiliation to a collective foundation. Abroad there are separate pension solutions in Germany for Siegfried PharmaChemikalien Minden GmbH, in France for Siegfried St. Vulbas SAS as well for the companies in the USA.

Pursuant to Swiss GAAP FER 16 economic liabilities and benefits of Swiss pension plans are determined on the basis of accounts drawn up in accordance with Swiss GAAP FER 26. The effective economic effects of all Group pension plans are calculated annually at the reporting date and the resulting liability or economic benefit recognized in the Balance Sheet. Employer contribution reserves are recognized as assets, provided they are not covered by a waiver of use. Changes in value of employer contribution reserves or liabilities are recognized as Personnel Expenses.

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

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

Share-Based Payments

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

Further an Employee Share Purchase Plan exists that allows employees, which can not participate to the LTIP to buy shares at a discounted rate of 30% below market value. The share plan is considered as an equity-settled share-based payment plan. The fair value of the shares corresponds to the fair value at grant date. Costs for the employee share plan are recorded as personnel expenses in the period in which the employee performed his/her services. The costs for the shares are adjusted to fair value on the grant date and also recorded as personnel expenses.

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

Profit Sharing / Bonus Plans

The Group operates a Short Term Incentive Plan (STIP), which is compensated annually in cash. These bonus entitlements in cash are recognized on an accrual basis as a liability and expense, if there is a contractual commitment or past business practice that constitutes a de facto commitment. The amount of the performance-based remuneration paid under the STIP is linked to the achievement of corporate, functional and individual targets. At the end of the one-year performance period it is determined whether the corporate, functional and individual goals have been achieved. The achievement scale for the corporate targets stretches from 0% to a maximum of 200%, for functional and individual targets from 0% to a maximum of 150%.

Taxes

The tax expense for the period comprises current and deferred taxes. Current income taxes are calculated on the basis of the taxable result and the tax rate applicable locally. Provisions are made for deferred taxes on all temporary differences between amounts determined for tax purposes and those reported for Group accounting purposes at the actual local tax rates likely to be applied. Deferred tax assets arising from temporary timing differences and tax loss carryforwards are recognized if it is probable that future taxable profits will be available against which the deferred tax assets can be utilized. Management analyzes on an annual basis the financial situation and the expected profits of the concerned companies. Changes in deferred taxes are recognized against net profit unless the tax relates to an item recognized directly in equity. No provisions are made for deferred income taxes on potential future dividends out of retained earnings, as these sums are deemed permanently reinvested.

Net Sales, Services and Long-Term Contracts

Net sales represent amounts received and receivable for goods and services supplied to customers after deducting discounts and volume rebates and excluding sales and value-added taxes. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer. Income from services is recognized on an accrual basis in accordance with the underlying service agreements.

Development projects and other long-term projects are recognized in accordance with Swiss GAAP FER 22 as long-term contracts. If all the conditions for the application of the PoCM are fulfilled, revenues and profit are realized in line with the progress of the contract; otherwise they are realized on completion of the contract (CCM – Completed Contract Method). The degree of completion is determined using the cost to cost method.

Cost of Goods Sold

The production costs of the goods and services sold include the direct production costs and the production overheads related to the goods sold and the services rendered.

Other Operating Income

Royalties are recognized in other operating income on an accrual basis in accordance with the terms of the underlying agreement. The remainder of the other operating income also includes gains on the sale of fixed assets and income from activities that are not part of the Siegfried Group's core business.

Research and Development

Research and development costs include wages and salaries, development costs, costs of materials and overheads and are directly expensed.

Dividends

Dividends to shareholders are recorded as liabilities at the time the resolution to pay a dividend is made.

Government Grants

In connection with investment projects some subsidiary companies in the Siegfried Group receive government grants. Government grants are recognized at fair value, only if there is a high probability that the conditions will be met. The grants are recognized in income in the periods, in which the company receives the grants. If the government grants relate to fixed assets, they are deducted in determining the carrying amount of the fixed assets. The grant is recognized as reduced depreciation over the working life of the depreciable fixed assets.

Transactions with Related Parties

Transactions with related parties are defined as a business relationship with shareholders of the Group, with companies which are fully consolidated and other related parties as defined under Swiss GAAP FER 15.

Commitments and Contingencies

The operations of the Group companies continue to be exposed to risks from political, legal, fiscal and regulatory developments, including those related to environmental protection. The nature and frequency of these developments and events, which are not covered by any insurance, are not predictable. Possible obligations that are dependent on future events are disclosed as contingent liabilities.

Risk Management

At a meeting on June 1, 2018, the Audit Committee decided to introduce a new concept for company-wide risk management. This is based on the ISO 31000 standard for risk management and is adjusted to the specific situation of the Siegfried Group. The new risk management concept is assessed annually and, if necessary, adjusted and improved.

Core targets of company-wide risk management

With this risk management concept, a well-established risk culture firmly anchored in the company, and clearly defined risk processes, we strive to increase transparency about the risks in the company, which allows us to avoid, transfer or, if worthwhile, carry risks.

Identification, evaluation and management

A risk register is used to assess and classify risks according to strategic, operational, financial and external effects. There is also an estimate of the likelihood of occurrence with the possible financial consequences. From this, the measures for the management of the identified risks are derived and also evaluated. The newly created Corporate Risk Committee monitors the aggregated risks for compliance with internal guidelines and processes and is in regular contact with the respective risk managers. The consolidated risk assessment is submitted to the Executive Committee, the Audit Committee and the Board of Directors for review. Reporting is accelerated in the event of new or changing risks.

At its strategy meeting on July 5 and 6, 2018, the Board of Directors considered in depth the strategic projects and their inherent risks. When there were significant changes, it also called for information at other meetings about risks associated with strategic projects and took respective decisions. Operating risks were discussed and assessed by the Board of Directors at its regular meetings. The most important operational risks per area were defined on November 23, 2018.

The Annual Report on the Internal Control System, including its assessment, was also approved at the meeting on November 23, 2018. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 19, 2018.

Financial Risk Management

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

Market Risks

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

Foreign Exchange Risks

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

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

Interest Rate Risks

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

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

Market Value Risks

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

Liquidity Risks

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

Credit Risks/Counterparty Risks

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

The credit risks on other financial assets are limited by the policy of restricting them to institutional partners. Where possible, the latter are controlled by an ongoing review of the classification of their creditworthiness and the limitation of aggregated individual risks. In addition the investment of liquid funds is limited to a single credit institution.

Capital Risk

The capital of the Siegfried Group is managed with a view to ensuring the continuation of operations, to earning an adequate yield for the shareholders and to optimizing the capital structure in order to reduce the cost of capital.

The Siegfried Group monitors its capital structure by reference to the net debt ratio and the equity ratio. The net debt ratio is defined as net debt divided by EBITDA. The equity ratio is defined as equity divided by total assets.

Derivative Financial Instruments

To manage currency and interest rate exposure, Siegfried may use forward exchange contracts as well as interest rate and currency swaps or put options. Derivatives hedging changes in value of an existing underlying transaction are recognized applying the same valuation principles that are applied to the underlying hedged transaction. A derivative is derecognized as soon as it matures (or an early option is exercised) or as soon as, following a sale or default by the counterparty, no further claim on future payments exists.

Estimates, Assumptions and Accounting Judgments

The compilation of Consolidated Financial Statements in accordance with Swiss GAAP FER requires estimates, assumptions and accounting judgments. The most important forward looking assumptions, from which a substantial risk may arise that could lead to a material adjustment to assets and liabilities within a year, are outlined on the following page.

Impairment Test of Non-Financial Non-Current Assets

In compliance with the above accounting principles the recoverability of the net assets is tested if there is any indication of impairment. The recoverable amount of the cash-generating units is calculated using the Discounted Cash Flow method, based on approved mid-range plans. These calculations require management to make forward looking assumptions and estimates.

Deferred Tax Assets

Deferred tax benefits from unused tax losses and deductible temporary differences are considered to the extent to which it is probable that future profits will be earned, against which they can be used. Management assesses the capitalization of deferred tax assets on tax losses and tax credits on an annual basis based on the taxable profits expected for the next 5 years. The tax rates are based on the effective and expected tax rates applicable for the relevant companies.

At December 31, 2018, Siegfried had available unrecognized tax losses and tax credits of CHF 110.6 million (see Note 6).

Environmental Provisions

Provisions relate to obligations to eliminate environmental pollution. Future decontamination costs depend on the regulatory status and management decisions on future construction projects. Depending on the nature and scope of the construction projects realized, the obligation to eliminate detrimental effects on the environment is increased or reduced. The environmental provision amounting to CHF 22.7 million would as a consequence be higher or lower (see Note 13).

1. Scope of Consolidation GRI 102-45

The consolidation includes the following companies:

Group companies	Share capital	in LC	Participation
Operating			
Alliance Medical Products Inc., Irvine (USA)	116 521	USD	100.00%
Siegfried AG, Zofingen (Switzerland)	20 000 000	CHF	100.00%
Siegfried Evionnaz SA, Evionnaz (Switzerland)	1 000 000	CHF	100.00%
Siegfried Hameln GmbH, Hameln (Germany)	750 000	EUR	100.00%
Siegfried Malta Ltd, Valletta (Malta)	100 000	EUR	100.00%
Siegfried (Nantong) Pharmaceuticals Co. Ltd, Nantong (China)	422 296 722	CNY	100.00%
Siegfried Pharma AG, Zofingen (Switzerland)	1 000 000	CHF	100.00%
Siegfried PharmaChemikalien Minden GmbH, Minden (Germany)	50 000	EUR	100.00%
Siegfried St. Vulbas SAS, Saint Vulbas (France)	15 200 000	EUR	100.00%
Siegfried USA, LLC, Pennsville (USA)	500 000	USD	100.00%
Finance and administration			
Siegfried Deutschland Holding GmbH, Hameln (Germany)	1 790 000	EUR	100.00%
Siegfried Deutschland Real Estate GmbH, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Finance AG, Zofingen (Switzerland)	14 000 000	CHF	100.00%
Siegfried GmbH, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Hameln Services GmbH, Hameln (Germany)	30 000	EUR	100.00%
Siegfried Holding AG, Zofingen (Switzerland)	8 513 498	CHF	100.00%
Siegfried Hong Kong Ltd, Hong Kong (China)	1 000	HKD	100.00%
Siegfried USA Holding Inc., Pennsville (USA)	3 000	USD	100.00%
Joint venture			
Alpine Dragon Pharmaceuticals Ltd, Huangyang, Gansu Province (China)	10 542 708	CNY	49.00%

The acquisition of the production facility of Arena Pharmaceuticals GmbH in Zofingen took place in the newly founded Siegfried Pharma AG in 2018, see Note 27. The share capital of Siegfried Holding AG increased in 2018 following the issue of shares out of the conditional capital under employee benefit programmes, see Note 11. In 2018 there were no other changes in the scope of Siegfried's consolidation and the corresponding shareholdings.

2. Property, Plant and Equipment

In 1000 CHF	Land	Buildings and leasehold improvements	Machinery and equipment	Assets under construction	Total
Acquisition costs					
As of January 1, 2017	23 800	312 738	961 386	109 334	1 407 258
Translation differences	405	9 705	34 567	1 071	45 748
Additions	105	1 687	9 829	40 525	52 145
Disposals	-209	-706	-5 654	-1	-6 570
Reclassifications	-	2 600	27 428	-30 713	-685
As of December 31, 2017	24 101	326 024	1 027 556	120 216	1 497 897
Translation differences	-189	-6 161	-20 653	-1 148	-28 151
Change in scope of consolidation	1 580	13 518	2 260	237	17 595
Additions	206	7 156	19 145	33 173	59 680
Disposals	-166	-318	-10 594	-5	-11 083
Reclassifications	331	4 692	18 136	-23 281	-122
As of December 31, 2018	25 863	344 911	1 035 850	129 192	1 535 816
Accumulated depreciation and impairments					
As of January 1, 2017	-	187 265	731 761	-	919 026
Translation differences	-	6 982	29 468	-	36 450
Depreciation charge	-	8 245	39 895	-	48 140
Disposals	-	-705	-5 223	-	-5 928
As of December 31, 2017	-	201 787	795 901	-	997 688
Translation differences	-	-3 882	-15 830	-	-19 712
Depreciation charge	-	9 805	38 326	-	48 131
Disposals	-	-318	-10 570	-	-10 888
As of December 31, 2018	-	207 392	807 827	-	1 015 219
Net book value 31/12/2018	25 863	137 519	228 023	129 192	520 597
Net book value 31/12/2017	24 101	124 237	231 655	120 216	500 209

At December 31, 2018, Land included CHF 2.6 million (2017: CHF 6.4 million) undeveloped property.

As of December 31, 2018, commitments for the purchase of property, plant and equipment amounted to CHF 8.0 million (2017: CHF 5.1 million).

3. Intangible Assets

In 1000 CHF	Licenses, patents	Trademarks	Software	Others	Total
Acquisition costs					
As of January 1, 2017	12 212	8 004	10 912	4 908	36 036
Translation differences	-430	-218	53	139	-456
Additions	-	-	472	450	922
Disposals	-	-	-23	-	-23
Reclassification	-	-1 285	1 981	-11	685
As of December 31, 2017	11 782	6 501	13 395	5 486	37 164
Translation differences	26	15	-101	-281	-341
Change in scope of consolidation	-	-	1 543	-	1 543
Additions	-	-	375	901	1 276
Disposals	-	-	-126	-99	-225
Reclassification	-	-	122	-	122
As of December 31, 2018	11 808	6 516	15 208	6 006	39 538
Accumulated amortization and impairments					
As of January 1, 2017	7 830	7 988	10 651	519	26 988
Translation differences	-293	-217	26	24	-460
Amortization charge	648	-	484	102	1 234
Disposals	-	-	-23	-	-23
Reclassification	-	-1 270	1 271	-1	-
As of December 31, 2017	8 185	6 501	12 409	644	27 739
Translation differences	21	15	-76	-37	-77
Amortization charge	645	-	601	230	1 476
Disposals	-	-	-126	-99	-225
As of December 31, 2018	8 851	6 516	12 808	738	28 913
Net book value 31/12/2018	2 957	-	2 400	5 268	10 625
Net book value 31/12/2017	3 597	-	986	4 842	9 425

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

In 1000 CHF (for the years ended December 31)	2018	2017
Theoretical Goodwill		
As of January 1	159 200	159 200
As of December 31	159 200	159 200
Accumulated amortization		
As of January 1	40 833	30 219
Amortization	10 614	10 614
As of December 31	51 447	40 833
Theoretical Goodwill December 31	107 753	118 367

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

In 1000 CHF (for the years ended December 31)	2018	2017
Operating Result according to Income Statement	76 280	61 918
Amortization of Goodwill	-10 614	-10 614
Theoretical Operating Result incl. Amortization of Goodwill	65 666	51 304
Net profit according to Income Statement	56 310	40 822
Amortization of Goodwill	-10 614	-10 614
Theoretical net profit incl. amortization of Goodwill	45 696	30 208
Equity according to Balance Sheet	678 777	667 787
Theoretical Capitalization of Goodwill (Net Book Value)	107 753	118 367
Theoretical Equity incl. Net Book Value of Goodwill	786 530	786 154

4. Investment in Associated Companies and Joint Ventures

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

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

5. Financial and Other Non-Current Assets

Financial assets are classified in the following categories:

In 1000 CHF	2018	2017
Other non-current assets	579	3 483
Total financial and other non-current assets	579	3 483

In 2017 the other non-current assets include CHF 2.9 million deposited as a security for bank guarantees issued in Germany and France in connection with the acquisition of the BASF companies.

6. Income Taxes

In 1000 CHF	2018	2017
Current tax expense	6 647	2 944
Deferred tax expense	7 207	14 097
Total income taxes	13 854	17 041

In %	2018	2017
Reconciliation of the Group's effective tax rate		
Group's average expected tax rate	20.0	17.9
Effect of changes in tax rates /Reassessment of tax loss carry-forwards	-0.9	14.8
Non-recognition of tax loss carry-forwards	5.5	7.2
Effect of unrecognized tax loss carry-forwards used against taxable profits	-6.3	-5.7
Non-period income taxes	-2.0	-
Other items	3.4	-4.8
Group's effective income tax rate	19.7	29.4

In 2018 the effective tax rate based on earnings before taxes is 19.7% (2017: 29.4%).

In 1000 CHF	December 31, 2017	Change	December 31, 2018
Deferred tax assets	34 645	-6 243	28 402
Deferred tax liabilities	6 948	1 611	8 559

Deferred tax assets and liabilities are calculated using the tax rates currently applicable and applied to future taxation (CH 8.0%–21.5%, CN 25.0%, DE 30.0%, FR 25.25%, MT 35.0%, US 21.0%).

Deferred tax assets consist of temporary differences and tax loss carry-forwards from individual subsidiaries. As of December 31, 2018, deferred tax assets were capitalized on CHF 50.9 million tax loss carry-forwards (2017: CHF 47.9 million).

In addition the Group has available CHF 110.6 million unrecognized tax loss carry-forwards and tax credits (2017: CHF 134.3 million).

In 1000 CHF	2018	2017
Expiry of unrecognized tax losses and tax credits		
Within one year	882	1 657
Between one and five years	44 237	50 490
More than five years	65 450	82 136
Total unrecognized tax losses and tax credits	110 569	134 283

7. Inventories

In 1000 CHF	2018	2017
Raw materials	77 026	68 602
Semifinished goods	76 556	109 507
Finished goods and trading goods	73 964	70 185
Total inventories	227 546	248 294

The valuation allowances for inventory amount to CHF 16.6 million (2017: CHF 16.3 million) and are included in the figures above.

Produced intermediates are reported together with the work in process as semifinished goods, previously they were disclosed as finished goods and trading goods.

As of December 31, 2018, there are no work in process from PoCM orders. In prior year the position semifinished goods includes CHF 8.9 million from PoCM orders.

8. Trade Receivables

In 1000 CHF	2018	2017
Trade receivables	217 442	189 349
Allowances for doubtful accounts	-433	-189
Total trade receivables	217 009	189 160

The allowances for doubtful accounts are calculated using the difference between the nominal amount of the receivables and the estimated net amount collectible. The net amount collectible is estimated on the basis of experience.

9. Derivative Financial Instruments

The guidelines on financial risk management are described in the accounting principles. Within the framework of these guidelines the Siegfried Group uses derivative financial instruments to hedge foreign exchange and interest rate risks. The contract value provides information about the volume of outstanding transactions. At the reporting date foreign exchange and interest hedging contracts were open. Foreign currency forward contracts were used to hedge net payment flows in the financial year 2018 aggregating USD 45.0 million and EUR 22.0 million (2017: USD 42.7 million and EUR 30.0 million). In order to hedge interest risks on loans drawn down interest swaps were concluded, as of December 31, 2018 there exists no open interest swaps (2017: EUR 18.0 million). The changes in fair value of these foreign exchange contracts are recognized in the Financial Result and in equity depending on the underlying instrument.

In 1000 CHF	Contract value		Positive fair value		Negative fair value	
	2018	2017	2018	2017	2018	2017
Foreign currency swaps	69 080	77 076	477	296	-	-
Interest rate swaps	-	21 089	-	-	-	97
Total	69 080	98 165	477	296	-	97

10. Treasury Shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2018, the book value of the treasury shares was CHF 56.1 million (2017: CHF 21.6 million).

Treasury shares	December 31, 2017	Change	December 31, 2018
Total treasury shares	68 591	70 621	139 212
Total Siegfried shares	4 210 915	45 834	4 256 749
Total outstanding shares	4 142 324	-24 787	4 117 537

In 2018, 259 534 shares (2017: 184 337 shares) were acquired with an average price of CHF 393.1 (2017: CHF 236.6) and 188 913 shares (2017: 402 417 shares) sold for an average price of CHF 384.3 (2017: CHF 299.1).

11. Share Capital – Hybrid Capital – Conditional Capital

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

The two public hybrid bonds issued by Siegfried Holding AG are subordinated loans with an indefinite maturity and interest payments by coupon. The hybrid bonds have a first call date after five years. If it is not exercised, the interest payable is increased (step up).

	Issue date	Nominal value	Interest	Call date
Hybrid bond 2015	26/10/2015	100 000	3.500%	26/10/2020
Hybrid bond 2016	26/10/2016	160 000	2.125%	26/10/2021

Siegfried Holding AG has at its disposal conditional capital of CHF 206 502 for the creation of 103 251 shares to serve the Long Term Incentive Plan (LTIP) and other employee benefit plans (2017: CHF 298 170 for 149 085 shares). In 2018, 45 834 shares were allocated for participation programs from conditional capital (2017: 44 324 shares).

Conditional capital (number of shares)	December 31, 2017	Change	December 31, 2018
Long Term Incentive Plan (LTIP) and other employee benefit plans	149 085	-45 834	103 251
Total	149 085	-45 834	103 251

12. Financial Liabilities

There is a syndicated credit agreement in the amount of CHF 200 million available for working capital financing. Additionally the syndicated credit agreement includes an accordion option in the amount of CHF 100 million.

The interest is based on the Libor or Euribor rate, plus an interest margin, which is dependent on a financial covenant of a maximum debt ratio. The second financial covenant includes a minimum equity ratio. The Siegfried Group fulfilled both covenants at the year-end. At December 31, 2018, the equivalent of CHF 110 million, including USD, was drawn down (2017: CHF 100.0 million, including USD).

13. Provisions

In 1000 CHF	Environmental provisions	Restructuring provisions	Other provisions	Total
As of January 1, 2017	32 987	-	1 787	34 774
Costs incurred	-2 475	-	-8	-2 483
Additions, interest	502	-	-	502
Releases of unused provisions	-8 687	-	-665	-9 352
Currency translation	387	-	40	427
As of December 31, 2017	22 714	-	1 154	23 868
Thereof current	6 263	-	654	6 917
Thereof non-current	16 451	-	500	16 951
As of January 1, 2018	22 714	-	1 154	23 868
Costs incurred	-1 268	-	-268	-1 535
Additions, interest	2 663	-	59	2 722
Change in scope of consolidation	-	16 900	-	16 900
Releases of unused provisions	-1 809	-	-577	-2 386
Currency translation	-47	-	-7	-54
As of December 31, 2018	22 254	16 900	361	39 515
Thereof current	6 396	3 900	302	10 598
Thereof non-current	15 858	13 000	59	28 917

Environmental provisions

The Siegfried Group produces chemicals at various locations. The production process is such that undesirable incidents may also arise, which result in an obligation to remedy pollutant effects on the environment. In connection with planned construction projects, environmental investigations were performed. Possible remediation obligations of CHF 22.3 million have been provided for (2017: CHF 22.7 million). The liabilities are recognized in the accounting period, in which the obligation becomes evident. A provision is recorded if it is expected that the obligation results in an outflow of economic resources in the medium term and if a reasonable estimate of that obligation can be made. By their nature the amounts and timing of any outflows are difficult to predict.

In the reporting period costs for remediation incurred to CHF 1.3 million (2017: 2.5 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 2% (2017: 2%) to the present value of the expected expenditures. The compounding amounted to CHF 0.2 million (2017: discount CHF 0.3 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments. Accordingly CHF 1.8 million environmental provisions were released (2017: CHF 8.7 million) and CHF 2.7 million were formed.

Restructuring provisions

As part of the integration of Siegfried Pharma AG, the product and customer portfolio will be renewed, which may lead to temporary capacity underutilization. The restructuring provision of CHF 16.9 million will be used for the measures required as part of the transformation.

Other provisions

The other provisions of CHF 0.4 million (2017: 1.2 million) cover costs for extension and demolition work in the amount of CHF 0.3 million (2017: CHF 0.9 million) and CHF 0.1 million for costs incurred in connection with product warranties (2017: CHF 0.3 million).

17. Employee Benefits and Personnel Expenses

In 1000 CHF	2018	2017 ¹
Wages and salaries	198 807	196 528
Share-based payments	7 382	4 891
Pension expense	12 767	13 110
Expenses for other long-term employee benefits	1 097	-457
Social and other personnel expenses	45 617	44 734
Total personnel expenses	265 670	258 807

¹ Restatement see accounting policies – Employee benefits.

In the year under review, the average number of employees (in full-time positions) was 2294 (2017: 2260).

Pension liabilities and economic benefits are as follows:

In 1000 CHF	Excess/ insufficient cover as per FER 26	Economic benefit/ obligation for the company	31/12/2017	Change vs. PY or taken to the Income Statement in the FY ¹	Pension expenses (personnel)	
					Contributions	2018
	31/12/2018	31/12/2018		31/12/2018	2018	2017 ²
Pension institutions with surplus (CH)	55 712	10	12	2	7 944	8 137
Pension costs (CH)	-	-	-	-	-	-274
Pension plans without own assets (DE)	-128 587	-122 476	-128 587	-6 111	4 003	4 156
Pension plans without own assets (FR)	-1 609	-1 510	-1 609	-99	-	-209
Pension plans without own assets (USA)	-405	-499	-405	94	1 395	1 302
Total	-74 889	-124 475	-130 589	-6 114	13 342	13 112

¹ currency effects adjusted.

² Restatement see accounting policies – Employee benefits.

The employer contribution reserves are as follows:

In 1000 CHF	Nominal value	Waiver of usage	Other value adjustments	31/12/2018	Balance Sheet asset		Result from ECR in personnel expenses	
					31/12/2017	2018	2017	
	31/12/2018	31/12/2018	31/12/2018	31/12/2018	31/12/2017	2018	2017	
Pension schemes (CH)	8 617	-	-	8 617	9 222	605	-340	
Total	8 617	-	-	8 617	9 222	605	-340	

14. Other Non-Current Liabilities

Other non-current liabilities of CHF 1.4 million (2017: CHF 1.4 million) include liabilities arising from the BASF share transfer plan and long service awards.

15. Accrued Expenses and Deferred Income

Accrued expenses and deferred income amount to CHF 34.5 million (2017: CHF 44.9 million) and include mainly periodic accruals for personnel costs and social security charges and various expense and income accruals.

16. Other Current Liabilities

Other current liabilities of CHF 31.9 million (2017: CHF 19.2 million) comprise VAT liabilities and current employee liabilities amounting to CHF 29.7 million (2017: CHF 18.2 million) as well as customer prepayments of CHF 2.2 million (2017: CHF 1.0 million).

18. Share-Based Payments

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

The valuation of the PSU is undertaken at the beginning of the relevant vesting period by an external company, which is specialized in the valuation of option and equity plans.

For the three current plan periods, the following personnel expenses, including social security charges, were recognized in 2018:

Plan period	Numbers of PSU	Fair Value (CHF)	Personnel expense (in 1000 CHF)
2016–2018	21 695	103.52	683
2017–2019	29 236	211.62	2 061
2018–2020	29 244	315.49	3 321

In addition to the Long Term Incentive Plan (LTIP) an equity plan for employees exists, which cannot participate in the LTIP (Employee Share Purchase Plan – ESPP). In 2018, total 9751 shares (2017: 9783 shares) were bought by employees. The total expense for the ESPP amounted in the reporting year to CHF 1.3 million (2017: CHF 0.9 million).

The employee share purchase plan existing under BASF for the employees of the sites Evionnaz, Minden and St. Vulbas was replaced by Siegfried with a share plan limited to ten years (2016–2025). In 2018, 152 shares were allocated out of this share plan, which have been taken into account in the purchase price allocation (2017: 169 shares).

19. Other Operating Income

The Other Operating Income of CHF 6.7 million (2017: CHF 6.3 million) includes revenues from the sale of side products amounting to CHF 3.3 Mio. (2017: CHF 2.8 million), gains on the sale of fixed assets of CHF 0.0 million (2017: CHF 0.1 million) and miscellaneous other income of CHF 3.4 million (2017: CHF 3.4 million).

20. Financial Result

The Financial Result of CHF 6.1 million (2017: CHF 4.1 million) comprises CHF 3.7 million financial expense (2017: CHF 4.0 million), financial income of CHF 0.1 million (2017: CHF 0.0 million) and foreign exchange differences of CHF 2.5 million loss (2017: CHF 0.1 million loss).

The financial expense includes CHF 3.5 million (2017: CHF 3.7 million) for debt interest and fees and CHF 0.2 million for the compounding of the environmental reserve (2017: CHF 0.3 million).

In the context of the error correction regarding the recognition of interest effects from pension obligations of foreign plans, the financial result of the previous year has been adjusted accordingly, see explanations in the accounting principles – Employee benefits, Employee benefit plans.

21. Earnings per Share

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

	2018	2017 ¹
Net profit attributable to Siegfried shareholders (in 1000 CHF)	56 310	40 822
Weighted average number of shares outstanding	4 164 125	3 969 247
Non-diluted earnings per share	13.52	10.28
Net profit attributable to Siegfried shareholders (in 1000 CHF)	56 310	40 822
Weighted average number of shares outstanding	4 164 125	3 969 247
Adjustment for assumed exercise of share-based payments, where dilutive	133 286	123 684
Diluted earnings per share	13.10	9.97

¹ Restatement see accounting policies – Employee benefits.

Earnings per share are calculated excluding interest on hybrid bonds. Including interest expense attributable to hybrid equity holders, basic earnings per share are CHF 11.87 (2017: CHF 8.26) and diluted earnings per share are CHF 11.50 (2017: CHF 8.01).

22. Distribution per Share

For the financial year 2018 the Board of Directors proposes the distribution of CHF 2.60 per share from the capital contribution reserves (2017: CHF 2.40 per share). If this is approved by the Annual General Meeting on April 17, 2019, it will result in a total payment of CHF 10.7 million to the shareholders. The number of shares entitled for distribution may change by the time of the Annual General Meeting on April 17, 2019 (see proposal for the appropriation of retained earnings and the distribution from capital contribution reserves in financial statements of Siegfried Holding AG).

23. Commitments and Contingencies

As security for the liabilities in connection with the syndicated loan there is a guarantee in the amount of CHF 121.0 million (2017: CHF 104.5 million).

At December 31, 2017, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 5.0 million, EUR 2.75 million and USD 50.0 million (2017: CHF 5.0 million and EUR 1.75 million).

In 2015 a demand for claims for alleged unpaid work amounting to CNY 51.7 million on the construction of the site in Nantong was submitted to the Chinese Arbitration Court CI-ETAC by a construction company. Siegfried has submitted a counterclaim on the construction company in the amount of CNY 73.2 million. Siegfried contests the claims of the construction company. The procedure was commenced in 2016 and is still pending. The outcome is currently open and the probability of an out flow of funds is considered to be low.

24. Maturity of Rental and Lease Liabilities

In 1000 CHF	Operating Leases 2018	Operating Leases 2017
Due under 1 year	7 898	7 385
Due between 1 and 5 years	22 967	30 137
Due after 5 years	54 729	47 996
Total lease liabilities	85 594	85 518

Of these liabilities CHF 66.3 million (2017: 55.3 million) relate to the new administration buildings in Zofingen, as well as the other production sites as follows: Malta CHF 0.5 million (2017: CHF 1.3 million), Minden CHF 3.7 million (2017: CHF 12.1 million), Hameln CHF 3.6 million (2017: CHF 4.3 million) and Irvine CHF 11.2 million (2017: CHF 12.3 million).

25. Transactions with Related Parties

The companies owned by Siegfried are listed in Note 1 "Scope of consolidation". In 2018 no transactions with related parties took place (2017: CHF 0 million) and at the reporting date there were no receivables from or payables to related parties (2017: CHF 0 million). All transactions between fully consolidated companies have been eliminated in the consolidation process and are not disclosed in this Note.

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

26. Net Sales

Net Sales by Product Group

In CHF million	2018	2017
Drug Substances	595.5	580.7
Drug Products	198.8	169.8
Total net sales	794.3	750.5

Net Sales by Foreign Currency

In CHF million	2018	2017
in CHF	226.2	244.0
in EUR	351.2	303.4
in USD	216.9	203.1
Total net sales	794.3	750.5

The Net Sales of CHF 794.3 million include CHF 2.4 million (2017: CHF 8.9 million) from long-term contracts under the PoCM.

27. Acquisitions

At the end of March 2018 Siegfried acquired the production facility for finished products (tablets and capsules) including all related employees and business contracts of Arena Pharmaceuticals GmbH in Zofingen.

The purchase price of CHF 4.8 million, including transaction costs, was paid in cash. The acquired balance sheet values showed the following fair values at the time of the acquisition, which were posted to the newly founded Siegfried Pharma AG, Zofingen:

In 1000 CHF	March 31, 2018
Inventories	2 886
Non-current assets	19 138
Total assets	22 024
Current liabilities	369
Non-current liabilities	16 900
Equity	4 755
Total liabilities and equity	22 024

28. Segment Reporting

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

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

29. Events after the Reporting Period

There are no significant events after the balance sheet date.

Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Siegfried Holding AG and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

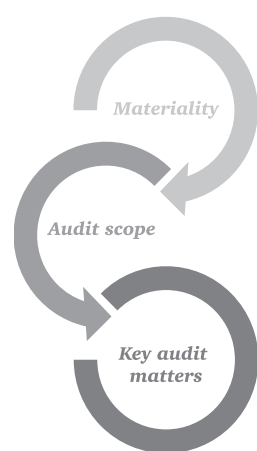
In our opinion, the consolidated financial statements (page 54 to 64) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



Overall Group materiality: CHF 3 500 000

We concluded full scope audit work at ten Group companies in four countries.

Our audit scope addressed 85% of the sales revenue and 78% of the assets of the Group.

Additionally, either specified audit procedures or a review were concluded at a further three group companies in two countries, which addressed a further 15% of the sales revenue and 11% of the assets of the Group.

As key audit matters, the following area of focus were identified:

- Impairment of property, plant and equipment

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 3 500 000
How we determined it	5% of profit before income taxes
Rationale for the materiality benchmark applied	We chose profit before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. PwC audited all of the Group's subsidiaries. Where audits were performed by component auditors, we ensured that, as Group auditor, we were sufficiently involved in the audit to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. The involvement of the Group auditor included telephone conferences with the component auditors and an investigation of the risk analysis.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment

Key audit matter

Property, plant and equipment is a significant item on the balance sheet (CHF 520.6 million or about 47% of total assets) of the Siegfried Group; the recoverability of these assets depends on expected future profits.

Property, plant and equipment is tested for impairment. For this, Management has to make significant assumptions concerning future growth. If indicators of impairment are identified, the Group calculates the recoverable amount. The tests are based on estimates of future cash flows, the underlying growth rate and the applied discount rate. Hence, the results of these tests are subject to a high degree of uncertainty.

Please refer to page 58/59 (Estimates, Assumptions and Accounting Judgements) and page 59 (Notes to the consolidated financial statements, 2 Property, plant and equipment) in the 2018 Annual Report.

How our audit addressed the key audit matter

We performed the following main audit procedures:

- We checked that the composition of the cash-generating unit complied with the definition according to Swiss GAAP FER.
- We conducted a critical examination of Management's assumptions and assessments relating to the impairment testing of property, plant and equipment. This included analysing whether the testing was based on the current forecasts approved by the Board of Directors.
- We examined the calculations of recoverable amounts in terms of consistency and correct methodical approach and we re-performed calculations. We performed plausibility checks of the appropriateness of the estimates of expected future growth mainly by comparing them with independent market forecasts using industry-specific information.
- We performed plausibility checks of the appropriateness of the applied discount rate by assessing the cost of capital of the company.

Our audit supports the amounts recognised by Management with regard to fixed assets.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

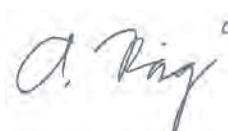
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Andreas Kägi
Audit expert

Basel, 1 March 2019



Financial Statement of Siegfried Holding AG

Balance Sheet of Siegfried Holding AG

In CHF (as of December 31)	2018	2017
Assets		
Current assets		
Cash and cash equivalents	785 022	3 260 128
Securities	10 003	10 006
Other current receivables due from third parties	45 082	34 614
Other current receivables due from Group companies	1 406 348	5 764 000
Accrued income and prepaid expenses	3 069 778	4 542 226
Total current assets	5 316 233	13 610 974
Non-current assets		
Loans to Group companies	527 211 128	539 182 241
Investments	203 490 189	202 490 189
Total non-current assets	730 701 317	741 672 430
Total assets	736 017 550	755 283 404
Liabilities and shareholders' equity		
Current liabilities		
Other short-term liabilities due from third parties	214 334	165 215
Other short-term liabilities due from Group companies	473 429	–
Accrued expenses and deferred income	4 896 501	5 266 953
Total short-term liabilities	5 584 264	5 432 168
Non-current liabilities		
Hybrid capital	260 000 000	260 000 000
Total long-term liabilities	260 000 000	260 000 000
Total liabilities	265 584 264	265 432 168
Shareholders' equity		
Share capital	8 513 498	8 421 830
Legal reserves	2 800 000	2 800 000
Reserves from capital contribution	108 882 927	103 290 961
Voluntary reserves	396 939 699	368 626 753
Treasury shares	–56 139 225	–21 601 253
Statutory retained earnings	9 436 387	28 312 945
Total shareholders' equity	470 433 286	489 851 236
Total liabilities and shareholders' equity	736 017 550	755 283 404

Income Statement of Siegfried Holding AG

In CHF	2018	2017
Income		
Financial income	22 387 003	28 453 862
Service income	1 129 594	14 778 338
Total income	23 516 597	43 232 200
Expenses		
Personnel expense	108 582	173 901
Administrative expense	3 232 227	2 925 236
Financial expense	9 709 739	11 747 234
Taxes	1 029 662	71 524
Depreciation on non-current assets	–	1 360
Total expenses	14 080 210	14 919 255
Net profit	9 436 387	28 312 945

Notes to the Financial Statements of Siegfried Holding AG

General Information

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

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

Guarantees and Securities

As security for the liabilities in connection with the syndicated loan there is a guarantee in the amount of CHF 121.0 million (2017: CHF 104.5 million). At December 31, 2018, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 5.0 million, EUR 2.75 million and USD 50.0 million (2017: CHF 5.0 million and EUR 1.75 million).

Balance Sheet

Investments

As of December 31, 2018, Siegfried Holding AG held the following direct or significant indirect investments:

Group companies	in LC	Participation	Share capital 2018	Share capital 2017
Operating				
Alliance Medical Products Inc., Irvine (USA)	USD	100.00%	116 521	116 521
Siegfried (Nantong) Pharmaceuticals Co. Ltd, Nantong (China)	CNY	100.00%	422 296 722	422 296 722
Siegfried AG, Zofingen (Switzerland)	CHF	100.00%	20 000 000	20 000 000
Siegfried Evionnaz SA, Evionnaz (Switzerland)	CHF	100.00%	1 000 000	1 000 000
Siegfried Hameln GmbH, Hameln (Germany)	EUR	100.00%	750 000	750 000
Siegfried Malta Ltd, Valletta (Malta)	EUR	100.00%	100 000	100 000
Siegfried Pharma AG, Zofingen (Switzerland)	CHF	100.00%	1 000 000	–
Siegfried PharmaChemikalien Minden GmbH, Minden (Germany)	EUR	100.00%	50 000	50 000
Siegfried St. Vulbas SAS, Saint Vulbas (France)	EUR	100.00%	15 200 000	15 200 000
Siegfried USA, LLC, Pennsville (USA)	USD	100.00%	500 000	500 000
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 Finance AG, Zofingen (Switzerland)	CHF	100.00%	14 000 000	14 000 000
Siegfried GmbH, Hameln (Germany)	EUR	100.00%	25 000	25 000
Siegfried Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	EUR	100.00%	25 000	25 000
Siegfried Hameln Services GmbH, Hameln (Germany)	EUR	100.00%	30 000	30 000
Siegfried Hong Kong Ltd, Hong Kong (China)	HKD	100.00%	1 000	1 000
Siegfried USA Holding Inc., Pennsville (USA)	USD	100.00%	3 000	3 000
Joint venture				
Alpine Dragon Pharmaceuticals Ltd, Huangyang, Gansu Province (China)	CNY	49.00%	10 542 708	10 542 708

Non-Current Assets

Investments in subsidiaries and affiliates include those companies in which Siegfried Holding AG has 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 decreased in 2018 by CHF 12.0 million.

Current Assets

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

Shareholders' Equity

The share capital of Siegfried Holding AG increased from CHF 8.42 million to CHF 8.51 million as a result of the issue of shares under employee benefit programmes. It is divided into 4 256 749 registered shares each with a nominal value of CHF 2 (2017: 4 210 915 registered shares). The legal reserves left unchanged by CHF 2.8 million. The reserve from capital contribution increased net CHF 5.6 million to CHF 108.9 million (2017: CHF 103.3 million), influenced by CHF 10.0 million paid distribution form reserve from capital contribution in 2018 and CHF 15.6 million capital increase of conditional capital. The treasury shares are shown as a negative balance in equity.

Conditional Capital

The conditional capital to serve the Long Term Incentive Plans (LTIP) and other employee share plans amounts after the creation of 45 834 shares to CHF 206 502 for 103 251 shares (2017: CHF 298 170 for 149 085 shares).

Treasury Shares

In the reporting year Siegfried Holding AG has made purchases and sales of Siegfried shares. On balance, the inventory increase by 70 621 shares (2017: decrease by 218 080 shares). The shares are valued at the average rate.

CHF	Number of shares	Average prices
At January 1, 2017	286 671	180.9
Purchases 2017	184 337	236.6
Sales 2017	–402 417	299.1
At December 31, 2017	68 591	314.9
Purchases 2018	259 534	393.1
Sales 2018	–188 913	384.3
At December 31, 2018	139 212	403.3

Liabilities

There is a syndicated credit agreement in the amount of CHF 200 million available for working capital financing. Additionally the syndicated credit agreement includes an accordion option in the amount of CHF 100 million.

The interest is based on the Libor or Euribor rate, plus an interest margin, which is dependent on a financial covenant of a maximum debt ratio. The second financial covenant includes a minimum equity ratio. The Siegfried Group fulfilled both covenants at the year-end. At December 31, 2018, the syndicated loan was drawn down in the equivalent of CHF 110.0 million (2017 CHF 100.0 million, including USD).

The two public hybrid bonds issued by Siegfried Holding AG are subordinated loans with an indefinite maturity and interest payments by coupon. The hybrid bonds have a first call date after five years. If it is not exercised, the interest payable is increased (step up).

	Issue date	Nominal value	Interest	Call date
Hybrid bond 2015	26/10/2015	100 000	3.500%	26/10/2020
Hybrid bond 2016	26/10/2016	160 000	2.125%	26/10/2021

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

Income Statement

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

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

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

Loans to Members of Executive Bodies

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

At December 31, 2018, Siegfried Holding AG and its Group companies have not granted any securities, loans, advances or credits to the members of the Board of Directors or the Executive Management or to persons closely related to them.

Share Ownership of the Board of Directors and the Executive Management

In 2018, 2583 shares with a value of CHF 0.9 million were distributed to the members of the Board of Directors. On December 31, 2018, the non-executive members of the Board of Directors and persons closely related to them owned 34 257 (2017: 31 674) registered shares of Siegfried Holding AG. This represents 0.8% (2017: 0.8%) of the entire share capital of Siegfried Holding AG. The members of the Executive Management (including persons closely related to them) owned at the same date 143 940 (2017: 117 398) registered shares, i.e. 3.4% (2017: 2.8%) of the share capital of Siegfried Holding AG.

December 31, 2018			
	Function	Number of shares	of which blocked
Board of Directors			
Dr. Andreas Casutt	Chairman	18 738	2 594
Martin Schmid	Vice-Chairman	1 297	1 297
Colin Bond	Member	2 797	1 297
Wolfram Carius	Member	2 297	1 297
Reto Garzetti	Member	7 831	1 297
Ulla Schmidt	Member	1 297	1 297
Executive Management			
Dr. Rudolf Hanko	CEO	86 080	–
Dr. Reto Suter	CFO	4 000	3 500
Dr. René Imwinkelried	Head Technical Operations and R&D	12 095	–
Arnoud Middel	Head HR Global	5 026	–
Marianne Späne	Head Business Development & Sales	22 531	–
Dr. Wolfgang Wienand	Head Strategy and M&A, Legal	14 208	–
December 31, 2017			
	Function	Number of shares	of which blocked
Board of Directors			
Dr. Andreas Casutt	Chairman	18 000	2 856
Martin Schmid	Vice-Chairman	928	928
Colin Bond	Member	2 428	1 428
Wolfram Carius	Member	1 928	1 428
Reto Garzetti	Member	7 462	1 428
Ulla Schmidt	Member	928	928
Executive Management			
Dr. Rudolf Hanko	CEO	75 000	–
Dr. Reto Suter	CFO	500	–
Dr. René Imwinkelried	Head Technical Operations and R&D	9 478	–
Arnoud Middel	Head HR Global	3 000	–
Marianne Späne	Head Business Development & Sales	18 576	–
Dr. Wolfgang Wienand	Head Strategy and M&A, Legal	10 844	–

Major Shareholders

In relation to the number of shares existing at year end of 4 256 479 (2017: 4 210 915), the following shareholders holds according to own statements of their numbers of shares more than 3.0% shares of Siegfried Holding AG.

- The Norges Bank (the Central Bank of Norway), Oslo, Norwegen, holds 3.1% (2017: 3.4%).
- René Braginsky, Susanne Braginsky, David Braginsky, Zurich, Switzerland / Tel Aviv, Israel, hold 3.0% (2017: n/a).
- The Credit Suisse Funds AG, Zurich, Switzerland, holds 3.0% (2017: 4.7%).
- The Dimensional Holdings Inc, Wilmington, USA, holds 3.0% (2017: n/a).
- The RAG-Stiftung Beteiligungsgesellschaft mbH, Essen, Germany holds <3.0% (2017: 9.8%).
- Tweedy, Browne Company LLC, New York, USA, holds <3.0% (2017: 4.9%).
- The Kreissparkasse Biberach, Biberach, Germany (Bayerninvest Kapitalgesellschaft mbH, Munich), holds <3.0% (2017: 3.3%).

Net dissolution of hidden reserves

In the reporting period hidden reserves in the net amount of CHF 1 065 000 have been dissolved whereas in prior year there was a creation of CHF 3 178 000.

Events after the Reporting Period

No material events after the reporting period.

Proposal of the Board of Directors to the Annual General Meeting of April 17, 2019, regarding Appropriation of the Retained Earnings and the Distribution from Reserves from Capital Contribution

In CHF	2018
Balance brought forward	–
Profit for the year	9 436 387
Statutory retained earnings	9 436 387
Appropriation of retained earnings to free reserves	–9 436 387
Balance to be carried forward	–
Reserves from capital contribution as of December 31, 2017	103 290 961
Distribution in 2018	–9 964 416
Capital increase	15 556 382
Total reserves from capital contribution as of December 31, 2018	108 882 927
Distribution of CHF 2.60 per registered share on 4 110 269 distribution-entitled shares	–10 686 699
Reserves from capital contribution carried forward	98 196 228

The total amount of distribution mentioned in the proposal of the Board of Directors has been calculated on the basis of number of shares entitled for distribution on the day of the approval of the Board of Directors meeting. The number of shares entitled for distribution will change up to the Annual General Meeting on April 17, 2019.

Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Siegfried Holding AG which comprise the balance sheet as at 31 December 2018, and income statement and notes for the year then ended, including a summary of significant accounting policies.

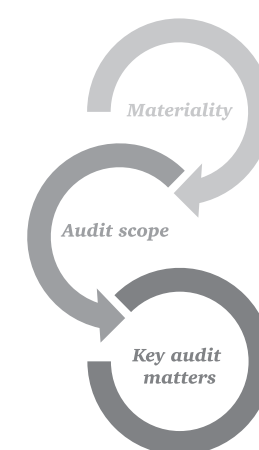
In our opinion, the financial statements (pages 66 to 69) as at 31 December 2018 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



Overall materiality: CHF 2 500 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

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

— Valuation of investments in Group companies

Materiality

The scope of our audit was influenced by our application of materiality. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 2 500 000
How we determined it	0.3% of total assets (rounded)
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because it is a generally accepted benchmark for materiality considerations relating to a holding company.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in Group companies

Key audit matter

Siegfried Holding AG holds investments in the companies listed in the notes to the financial statements.

The investments are tested for impairment. For this, Management has to make assumptions concerning future growth. If indicators of impairment are identified, Management calculates the value of the Group company concerned. The tests are based on estimates of future cash flows, the underlying growth rate and the applied discount rates. Hence, the results of these tests are subject to a high degree of uncertainty.

Please refer to page 67 of the notes to the financial statements for information on the accounting policies and the list of investments in Group companies.

How our audit addressed the key audit matter

We performed the following main audit procedures:

- We conducted a critical examination of Management's assumptions and assessments relating to the impairment testing of investments in Group companies. This included analysing whether the testing was based on the current forecasts approved by the Board of Directors.
- We examined the calculations of company values in terms of consistency and correct methodical approach, and we reperformed calculations. We performed plausibility checks of the appropriateness of the estimates of expected future growth mainly by comparing them with independent market forecasts using industry-specific information.
- We performed plausibility checks of the appropriateness of the applied discount rate by assessing the cost of capital of the company.

Our audit supports the amounts recognised by Management with regard to investments in Group companies.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

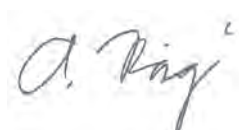
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Andreas Kägi
Audit expert

Basel, 1 March 2019



Information for Investors

Key Figures Overview 2014–2018

Consolidated Figures

		2018	2017 ⁶	2016	2015	2014
Net sales	CHF million	794.3	750.5	717.7	480.6	315.3
Growth	in %	5.8	4.6	49.4	52.4	-15.9
EBITDA	CHF million	125.9	111.3	96.7	77.1	58.8
Growth	in %	13.1	15.1	25.5	31.1	-10.4
EBITDA margin	in %	15.8	14.8	13.5	16.0	18.6
Operating profit (EBIT)	CHF million	76.3	61.9	46.7	43.4	34.0
Growth	in %	23.2	32.6	7.6	27.6	-16.7
Operating margin	in %	9.6	8.3	6.5	9.0	10.8
Annual result	CHF million	56.3	40.8	27.9	39.1	38.6
Net profit margin	in %	7.1	5.4	3.9	8.1	12.2
Net cash/(net debt)	CHF million	-70.1	-65.9	-59.5	-177.3	-85.2
Net Working Capital ¹	CHF million	373.0	365.1	342.3	314.2	147.9
As % of net sales		47.0	48.7	47.7	40.5	41.6
Total assets	CHF million	1 103.1	1 071.0	1 021.4	1 003.9	629.6
Equity	CHF million	678.8	667.8	660.7	492.7	382.8
Equity ratio	in %	61.5	62.4	64.7	49.1	60.8
Market capitalization ²	CHF million	1 383.0	1 342.0	826.0	769.0	650.0
Average capital employed ³	CHF million	880.5	833.9	818.0	562.0	384.7
Return on capital employed (average) ROCE ⁴	in %	14.3	13.3	11.8	13.7	15.3
Cash flow from operating activities	CHF million	106.0	84.6	57.1	23.1	24.6
As % of net sales		13.3	11.3	8.0	4.8	7.8
Free cash flow	CHF million	46.0	32.3	-11.1	-66.3	-57.3
As % of net sales		5.8	4.3	-1.5	-13.8	-18.2
Investments in PPE and intangible assets	CHF million	60.1	52.8	68.4	95.0	82.0
As % of net sales		7.6	7.0	9.5	19.8	26.0
Depreciation and amortization/impairment	CHF million	49.6	49.4	50.0	33.7	24.8
As % of net sales		6.2	6.6	7.0	7.0	7.9
Employees (number of FTEs) ⁵	Number	2 294	2 260	2 315	2 238	1 374
Change vs. previous year	in %	1.5	-2.4	3.4	62.9	49.8
Sales per employee	CHF	346 189	332 065	310 034	291 600	316 500
Change vs. previous year	in %	4.3	7.1	6.3	-7.9	-22.6

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

² Calculated on the number of listed shares, net of treasury shares.

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

⁴ Calculation ROCE: EBITDA in relation to average capital employed over twelve months.

⁵ Year-end values.

⁶ Restatement see accounting policies – Employee benefits.

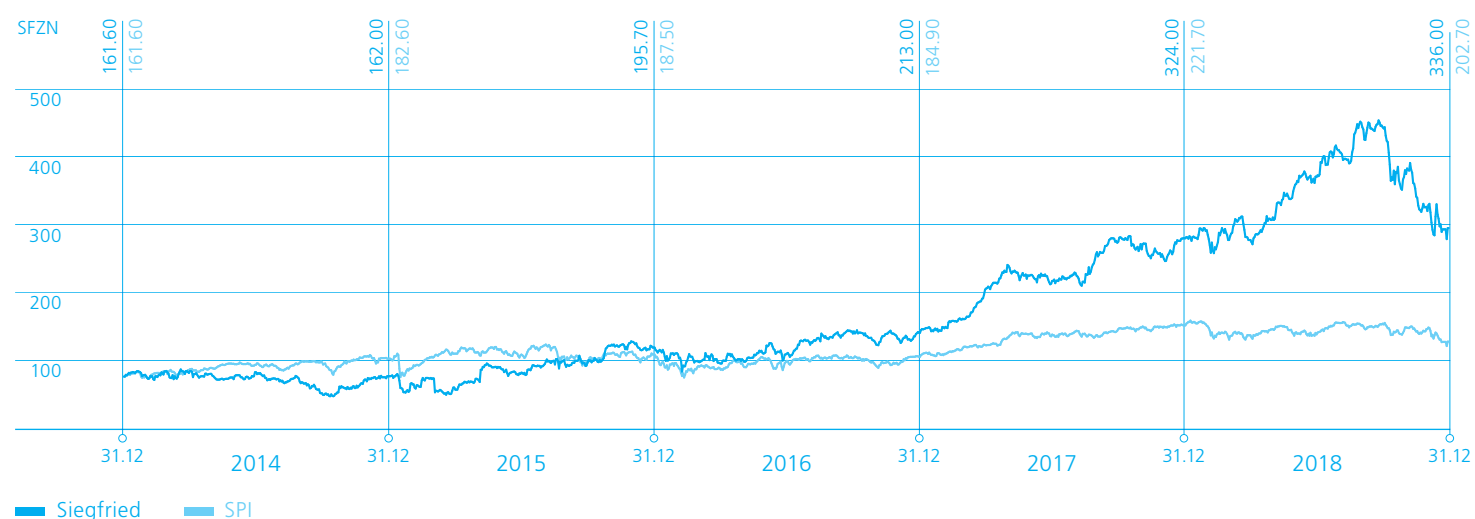
Stock Market Data

			2018	2017 ⁶	2016	2015	2014
Registered shares nom. CHF 2			4 256 748	4 210 915	4 166 591	4 150 000	4 150 000
Share capital		CHF million	8.5	8.3	8.3	8.3	8.3
Gross dividend per registered share		CHF	2.60	2.40	2.00	1.80	1.50
Total dividend paid		CHF	10 686 699 ¹	9 942 072	7 759 840	6 997 641	5 984 997
Market prices registered share	high	CHF	469.5	327.0	216.9	206.2	171.0
	low	CHF	304.0	213.3	165.7	139.5	139.0
Year-end		CHF	336.0	324.0	213.0	195.7	162.0
Dividend yield per registered share		%	0.7	0.7	0.9	0.9	0.9
Earnings per share – EPS – non-diluted ²		CHF	13.52	10.28	7.18	9.89	9.97
Earnings per share – EPS – diluted ³		CHF	13.10	9.97	7.04	9.76	9.92
Consolidated operating cash flow per registered share ²		CHF	25.4	21.3	14.7	5.8	8.6
Consolidated equity and reserves per registered share ²		CHF	162.7	169.3	170.0	124.6	99.0
P/E ratio (year-end) ⁴			26	32	30	20	16
Market capitalization at year-end ⁵		CHF million	1 383	1 342	826	769	650

¹ Basis shares entitled to a dividend in accordance with the profit appropriation proposal 2018.
² Calculated on the basis of year-end share price and diluted EPS.
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 number of listed shares, net of treasury shares.
⁶ Restatement see accounting policies – Employee benefits.

Share Price Development

from January 1, 2014, to December 31, 2018



Cautionary Statement regarding Forward-Looking Statements

This Annual Report contains certain forward-looking statements identified by words such as “believes”, “expects”, “anticipates”, “projects”, “intends”, “should”, “seeks”, “estimates”, “future” or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forward-looking statements contained in this Annual Report, among others: (1) pricing and product initiatives of competitors; (2) legislative and regulatory developments and economic conditions; (3) delay or inability in obtaining regulatory approvals or bringing products to market; (4) fluctuations in currency exchange rates and general financial market conditions; (5) uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of clinical trials or research projects, unexpected side-effects of pipeline or marketed products; (6) increased government pricing pressures; (7) interruptions in production; (8) loss of or inability to obtain adequate protection for intellectual property rights; (9) litigation; (10) loss of key executives or other employees; and (11) adverse publicity and news coverage. The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Siegfried’s earnings or earnings per share for 2019 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.

Shareholder Base

As of December 31, 2018, 4 109 shareholders were registered in the share registry of Siegfried Holding AG, representing a shareholding of 64.25.% of the total share capital. The distribution of the shares among the shareholders was as follows:

Number of shareholders at December 31, 2018	Shareholders	Shares	%
1–10	512	3 190	0.07
11–100	2 372	118 968	2.79
101–1000	1 024	313 077	7.35
1001–10 000	161	496 100	11.65
10 001–100 000	35	1 012 039	23.77
100 001–1 000 000	5	791 411	18.59
	4 109	2 734 785	64.25
Treasury shares and non-registered shares	n.a	1 521 964	35.75
Total shares		4 256 749	100.00

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

Holdings by segment as of December 31, 2018	Shareholders	No. of shares per category	%
Significant shareholders (>3%)	4 ¹	682 011	16.02
Individuals	3 790	669 460	15.73
Institutional investors	315	1 383 314	32.50
Own shares and non-registered shares	–	1 521 964	35.75
Total shares	4 109	4 256 749	100.00

¹ According to SIX disclosure notifications; excluding own shares.

Siegfried Worldwide

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



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3



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4



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China

5



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6



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Minden GmbH**
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32423 Minden
Germany

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Siegfried Evionnaz SA
Route du Simplon 1,36
1902 Evionnaz
Switzerland

8

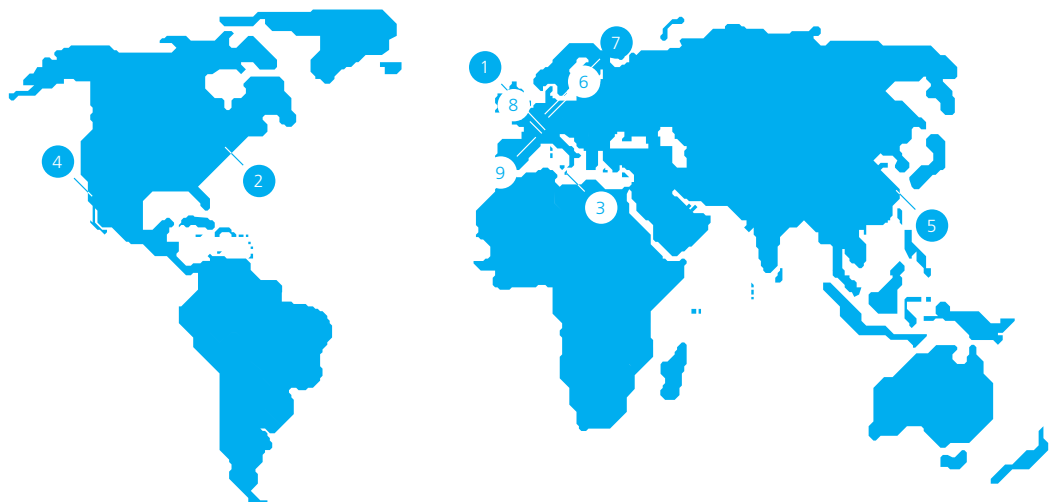


Siegfried St. Vulbas SAS
Parc Industriel de la Plaine de l'Ain
530 Allée de la Luye
01150 Saint Vulbas
France

9

Sites:
1 Zofingen
2 Pennsville
3 Hal Far
4 Irvine

5 Nantong
6 Hameln
7 Minden
8 Evionnaz
9 St. Vulbas





About this Annual Report

In addition to highlighting Siegfried's business performance and its position concerning assets, finances and earnings, this report throws light on the company's commitment concerning sustainability and its interaction with society and the various stakeholders.

They are to gain a comprehensive and differentiated understanding of how Siegfried incorporates these issues into its corporate strategy and of progress achieved in this regard in the course of the year. The report appears in English and German language.

Scope

We report on the 2018 financial year ending 31 December 2018. The future-oriented topics dealt with in the report represent an exception. Siegfried's Annual Report appears annually and was last published in March 2018, both in a printed version and as PDF on our corporate website. The next report will come out in the spring of 2020.

Governance

Our statement concerning Governance describes the principles of management and the control of the Siegfried Group. Essentially, the Siegfried Group's corporate governance follows the Swiss Code of Best Practice and is subject to regular reviews and further development by the Board of Directors. Any deviations from these guidelines find mention in the report.

Principles of accounting

The Siegfried Group's financial reporting is carried out in accordance with the entire guidelines of Swiss GAAP FER and the provisions of the Swiss law.

External validation

PricewaterhouseCoopers AG (PwC) as auditors reviewed Siegfried Holding AG's Compensation Report for the financial year ending 31 December 2018 and came to the conclusion that it corresponds with the law and with article 14 to 16 of the Ordinance against excessive remuneration for listed stock corporations. The process of sustainability reporting was supported by BSD Consulting, a consulting company specialized in the management of sustainability issues.

Sustainability Report in Accordance with GRI Standards

This report has been prepared in accordance with the GRI Standards: Core option. Furthermore, for the present annual report, the GRI Materiality Disclosures Service was carried out and the accuracy of the GRI references 102-40 to 102-49 confirmed. Please refer to the detailed GRI content index on the Internet at report.siegfried.ch.

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.

Calendar

In 2019, the company will inform about the course of business as follows:

March 7, 2019

Publication of results for the 2018 business year at a media and analyst conference in Zurich

April 17, 2019

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

August 21, 2019

Publication of 2019 half-year financial results

Publisher's Note

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

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This Annual Report is also available online at report.siegfried.ch



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



Siegfried share price development
31 December 2013–31 December 2018

Share Price 2013

161.6
CHF

Siegfried share
as of 31 December 2013

Share Price 2018

336.0
CHF

Siegfried share
as of 31 December 2018

Increase

107.9
%

Change
Period 2013–2018