

Financial Report 2020

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Consolidated Financial
Statements of
Siegfried Holding AG

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of Siegfried Holding AG

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for Investors

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All chapters of Siegfried's Annual Report 2020 can be
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Key Figures Overview

	2020	2019	Change CHF (LC)
Net sales (million CHF)	845.1	833.5	+1.4% (+4.5%)
Core gross profit (million CHF)	177.5	172.7	2.8%
Core gross profit margin (%)	21.0%	20.7%	
Core results ¹			
Core EBITDA (million CHF)	149.4	140.7	6.2%
Core EBITDA margin (%)	17.7%	16.9%	
Core EBIT (operating result) (million CHF)	94.3	89.2	5.8%
Core EBIT margin (%)	11.2%	10.7%	
Core net profit (million CHF)	72.5	65.7	10.4%
Core net profit-margin (%)	8.6%	7.9%	
Non-diluted core earnings per share (CHF)	17.50	15.88	10.2%
Diluted core earnings per share (CHF)	16.90	15.48	9.1%
Cash flow from operating activities (million CHF)	114.8	65.6	74.8%
Free cash flow (million CHF)	45.7	3.8	1 106.4%
Investment in property, plant and equipment and intangible assets (million CHF)	69.1	61.9	11.7%
	December 31, 2020	December 31, 2019	Change
Equity (million CHF)	733.2	691.7	6.0%
Total assets (million CHF)	1 242.3	1 168.7	6.3%
Equity ratio (%)	59.0%	59.2%	
Employees (number of FTEs)	2 532	2 407	5.2%

¹ For more information and reconciliation of Swiss GAAP FER to Core Results see Financial Report «Investor Information», pages 57–59.

Financial Commentary 2020

Growth and Expansion of Margins

Despite a difficult environment in 2020, Siegfried was able to once again increase Net Sales to 845.1 Mio Swiss Francs. Both important currencies, the Euro as well as the US Dollar have depreciated against the Swiss Franc in the reporting period, leading to headwinds for Siegfried's topline. The growth compared to the last year was 4.5% in local currencies and 1.4% in Swiss Francs.

The core Gross Profit increased to 177.5 Mio Swiss Francs, corresponding to a slight improvement of the core Gross Profit Margin from 20.7% in 2019 to 21.0% in the current year. All of core EBITDA (CHF 149.4 Mio, +6.2%), core EBIT (CHF 94.3 Mio., +5.8%) and core Net Profit (CHF 72.5 Mio., +10.4%) increased on a relative scale stronger than Net Sales. This is reflected in an improvement of the respective margins: The core EBITDA Margin was 17.7% (prior year 16.9%). Also the Core EBIT Margin (11.2%) and the core Net Profit Margin (8.6%) improved compared to the prior period.

Siegfried has introduced the core Metrics with the presentation of the half-year results in 2019. The core results exclude extraordinary expenses and income in a transparent and easy to understand way enabling the market participants to better understand the company's operational performance and allowing a better comparison across periods. Siegfried is using the core results in addition to the Swiss GAAP FER results as important indicators for the internal assessment of the performance of the group. In the current year 2020, the reported results are corrected for technical and non-cash effects from an interest rate change effect on the value of pension obligations from foreign pension plans, extraordinary effects from changes in the Swiss tax law and cost incurred with a potential acquisition. We also paid a special COVID Bonus for selected employee categories. As this was an extraordinary payment outside of our compensation system, we have corrected for it when presenting the core results.

Strong Growth of core Gross Profit Margin and core EBITDA

The reported Net Sales of 845.1 Mio Swiss Francs consists of 647.8 Mio Swiss Francs Drug Substances and 197.2 Mio Swiss Francs Drug Product sales. Both areas have grown moderately in Swiss Francs, and significantly in local currencies.

Despite higher cost of doing business, core Gross Profit has correspondingly grown to 177.5 Mio Swiss Francs and the core Gross Profit Margin has expanded to 21.0%.

Core Marketing and Sales cost are slightly lower than in the prior period at 15.6 Mio Swiss Francs. In Research and Development costs came in at 30.9 Mio Swiss Francs, a reduction and normalization compared to the prior year. Administration and other overhead cost are 39.2 Mio Swiss Francs, remaining at about the level of the prior period.

Other income is 2.4 Mio Swiss Francs, which is a slight reduction versus prior year.

In total, the above delivers a core EBITDA of 149.4 Mio Swiss Francs, a core EBITDA Margin at 17.7%, a growth of 6.2% over the prior period.

Lower Core Financing Costs and a higher Core Net Profit

Core Financing costs and charges were at 4.1 Mio Swiss Francs, significantly lower than in the prior reporting period, despite the fact that the utilization of the syndicated loan was on average higher due to the redemption of the Hybrid Bond at the end of October 2020. Tax expenses in absolute terms were at par with the last year. As a result, the core Net Profit was significantly higher at 72.5 Mio Swiss Francs, an increase of 10.4% versus the prior period.

Operating Cashflow, Free Cashflow and Cashflow from Financing Activities

Operating Cashflow before changes in Net Working Capital is 153.4 Mio Swiss Francs, significantly stronger than last year (135.6 Mio Swiss Francs). Net Working Capital was managed well, resulting in an Operating Cashflow of 114.8 Mio Swiss Francs, an increase of 74.8% versus prior year.

Capital investments in PPE are at 69.1 Mio Swiss Francs, slightly higher than last year and the Free Cashflow stands at 45.7 Mio Swiss Francs.

In March 2020, we have executed a new Syndicated Loan (Revolving Credit Facility), at a higher volume and better commercial terms, resulting in the reduction of the financial expenses described above. In December 2020, on the background of the anticipated acquisition of the two pharmaceutical manufacturing facilities from Novartis in Spain, we have exercised the Accordeon Option and have increased the volume of the Revolving Credit Facility to 400 Mio Swiss Francs.

On October 26, 2020, we have exercised the redemption option of the first Hybrid Bond of 100 Mio Swiss Francs and have redeemed the Hybrid Bond, funded by a draw down on the Syndicated Loan. On December 28, 2020, we have issued two privately placed Hybrid Convertible Bonds with a total volume of 80 Mio Swiss Francs to partially fund the acquisition of the two pharmaceutical manufacturing sites from Novartis in Spain.

Other Financial Key Figures

At the year end 2020 Siegfried had 54.4 Mio Swiss Francs in Cash and Cash Equivalents. Outstanding credit and loan arrangements amounted to 140 Mio Swiss Francs, resulting in a Net Debt position of 85.6 Mio Swiss Francs. The Net Debt to core EBITDA ratio is 0.6 and the equity ratio is 59.0%. Even after the acquisition, Siegfried has the necessary debt capacity to fund further internal and external growth.

Proposal of Par Value Repayment to the General Assembly

At the Annual General Meeting on April 22, 2021, the Board of Directors will propose to the Shareholders to reduce the par value of a share from 24.20 Swiss Francs by 3.00 Swiss Francs to 21.20 Swiss Francs and to distribute the amount of the reduction in par value of 3.00 Swiss Francs instead of a dividend.



Dr. Reto Suter
Chief Financial Officer

Consolidated Balance Sheet

In 1000 CHF (as of December 31)	Notes*	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	2	534 627	518 379
Intangible assets	3	6 660	8 467
Investments in associated companies and joint ventures	4	340	378
Financial and other non-current assets		582	595
Employer contribution reserves	16	9 581	9 362
Deferred tax assets	5	39 483	41 539
Total non-current assets		591 273	578 720
Current assets			
Inventories	6	272 432	256 958
Trade receivables	7	257 122	245 415
Other current assets		48 248	48 555
Accrued income and prepaid expenses		14 213	7 522
Current income taxes		4 021	5 342
Securities		30	30
Derivative financial instruments	8	525	726
Cash and cash equivalents		54 413	25 443
Total current assets		651 004	589 991
Total assets		1 242 277	1 168 711
Liabilities and equity			
Equity			
Share capital	10	105 295	116 262
Treasury shares	9	-66 257	-77 005
Capital reserves		55 251	48 818
Hybrid capital		237 530	255 985
Retained earnings		401 365	347 619
Total equity		733 183	691 679
Non-current liabilities			
Non-current financial liabilities	11	139 968	-
Non-current provisions	12	13 527	14 972
Deferred tax liabilities	5	9 130	11 959
Other non-current liabilities	13	1 338	1 783
Non-current pension liabilities	16	151 546	146 790
Total non-current liabilities		315 509	175 504
Current liabilities			
Trade payables		68 962	78 915
Other current liabilities	15	73 065	43 743
Accrued expenses and deferred income	14	36 076	31 052
Other current financial liabilities	11	-	135 000
Derivative financial instruments	8	233	-
Current pension liabilities	16	440	506
Current provisions	12	7 381	9 503
Current income tax liabilities		7 428	2 809
Total current liabilities		193 585	301 528
Total liabilities		509 094	477 032
Total liabilities and equity		1 242 277	1 168 711

* The Notes on pages 11–39 are an integral part of the Group Financial Statements.

Consolidated Income Statement

In 1000 CHF (for the years ended December 31)	Notes*	2020	2019
Net sales	25	845 062	833 514
Cost of goods sold		-668 866	-660 791
Gross profit		176 196	172 723
Marketing and sales costs		-15 934	-16 644
Research and development costs		-31 200	-33 297
Administration and general overhead costs		-52 059	-70 216
Other operating income	18	2 416	4 504
Income of associated companies		-27	-27
Operating result		79 392	57 042
Financial income	19	328	29
Financial expenses	19	-3 050	-3 153
Exchange rate differences	19	-2 640	-2 485
Profit before income taxes		74 030	51 433
Income taxes	5	-13 163	1 713
Net profit		60 867	53 147
Non-diluted earnings per share (CHF)	20	14.68	12.85
Diluted earnings per share (CHF)	20	14.18	12.53

* The Notes on pages 11–39 are an integral part of the Group Financial Statements.

Consolidated Statement of Cash Flows

In 1000 CHF (for the years ended December 31)	Notes*	2020	2019
Net profit		60 867	53 147
Depreciation and impairment of PP&E and intangible assets	2,3	55 072	51 557
Change in provisions	12	-1 317	-9 732
Other non-cash items ¹		12 225	28 787
Share-based payments		8 001	7 901
Exchange rate differences	19	2 640	2 485
Financial income	19	-328	-29
Financial expenses	19	3 050	3 153
Income taxes	5	13 163	-1 713
Income of associated companies	4	27	27
Net result on disposal of property, plant and equipment		-26	-7
Cash flow from operating activities before change in NWC		153 374	135 576
Change in net working capital:			
Trade receivables		-15 184	-29 852
Other current assets and accruals		-7 531	-12 255
Inventories		-19 417	-34 492
Trade payables		-16 798	14 143
Other current liabilities and accruals		35 564	9 586
Payments out of provisions and pension liabilities		-6 054	-5 325
Income taxes paid		-9 186	-11 738
Cash flow from operating activities		114 767	65 643
Purchase of property, plant and equipment	2	-68 762	-61 627
Proceeds from disposal of property, plant and equipment		105	50
Purchase of intangible and other assets	3	-374	-274
Proceeds from disposal of intangible assets		11	-
Investments in financial fixed assets		-	-24
Interest received		322	25
Dividend received		6	4
Cash flow from investing activities		-68 692	-61 846
Free cash flow		45 746	3 792
Capital increase	10	1 109	800
Change of hybrid capital		-19 985	-
Change in financial liabilities	11	4 968	25 000
Change in other non-current liabilities		-95	-91
Purchase of treasury shares		-3 855	-43 009
Disposal of treasury shares		23 356	20 087
Interest paid and bank charges		-9 811	-9 814
Distribution to the shareholders of Siegfried Holding AG		-11 622	-10 793
Cash flow from financing activities		-15 935	-17 820
Net change in cash and cash equivalents		30 139	-14 022
Cash and cash equivalents 1/1/		25 443	39 880
Net effect of exchange rate changes on cash		-1 168	-415
Cash and cash equivalents 31/12/		54 413	25 443

* The Notes on pages 11–39 are an integral part of the Group Financial Statements.

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

Consolidated Statement of Changes in Equity

In 1000 CHF	Share capital	Treasury shares	Capital reserves	Hybrid capital	Value fluctuations of financial instruments ¹	Accumulated profits ¹	Offset Goodwill ^{1,2}	Cumulative translation adjustments ¹	Total equity
As of January 1, 2019	8 514	-56 139	79 668	255 985	-523	623 324	-159 200	-72 852	678 777
Net profit	-	-	-	-	-	53 147	-	-	53 147
Distribution	-	-	-10 793	-	-	-	-	-	-10 793
Change in hybrid capital	-	-	-	-	-	-6 900	-	-	-6 900
Changes in financial instruments	-	-	-	-	-648	-	-	-	-648
Employee share plan	-	-	-	-	-	-9 476	-	-	-9 476
Change in treasury shares	-	-20 866	-	-	-	-2 055	-	-	-22 921
Capital increase	248	-	25 198	-	-	-	-	-	25 446
Transition in reserves from capital contribution	107 500	-	-45 255	-	-	-62 245	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-14 954	-14 954
As of December 31, 2019	116 262	-77 005	48 818	255 985	-1 171	595 796	-159 200	-87 806	691 679
Net profit	-	-	-	-	-	60 867	-	-	60 867
Distribution	-12 183	-	-	-	-	561	-	-	-11 622
Change in hybrid capital	-	-	-	-18 455	-	-7 782	-	-	-26 237
Changes in financial instruments	-	-	-	-	3 841	-	-	-	3 841
Employee share plan	-	-	-	-	-	-5 810	-	-	-5 810
Change in treasury shares	-	10 747	-	-	-	8 755	-	-	19 502
Capital increase	1 216	-	6 433	-	-	-	-	-	7 649
Currency translation differences	-	-	-	-	-	-	-	-6 687	-6 687
As of December 31, 2020	105 295	-66 257	55 251	237 530	2 670	652 388	-159 200	-94 493	733 183

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

² For details refer to Note 3 Intangible Assets.

The share capital of Siegfried Holding AG decreased net by CHF 11.0 million from CHF 116.3 million to CHF 105.3 million as a result of the issue of shares under employee benefit programmes and the repayment of par value to the shareholder in the amount of CHF 12.2 million. It is divided into 4 351 000 registered shares each with a par value of CHF 24.20 (2019: 4 306 000 registered shares each with a par value of CHF 27), see note 10.

In accordance with Art. 3.2.a. of the bond terms and conditions, Siegfried Holding AG has repaid its public hybrid bond, issued in 2015, in the amount of CHF 100 million. In addition, Siegfried Holding AG has issued two private convertible hybrid bonds with a volume of CHF 40 million each, see note 10.

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

Notes to the Consolidated Financial Statements

General Information

Financial Statements

The financial reporting of the Siegfried Group complies with Swiss GAAP FER and the provisions of Swiss law. The Consolidated Financial Statements are based on historical costs, except for the revaluation of specific financial assets and liabilities, such as derivative financial instruments. As described in the following policies, they are valued at fair value. The Consolidated Financial Statements are prepared on a going concern basis. The Consolidated Financial Statements of the Siegfried Group are presented in Swiss francs and were approved by the Board of Directors on February 19, 2021, for presentation to the General Meeting held on April 22, 2021.

Information about the Group

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

Method and Scope of Consolidation

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

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

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

Accounting Principles

Business Combinations

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

Purchased Goodwill is eliminated against equity. If the initial accounting for a business combination is incomplete by the end of the reporting period, in which the combination occurred, the combination is accounted for using provisional amounts. Adjustment of the provisional amounts and the recognition of additionally identified assets and liabilities must be undertaken within the measurement period, if new information about facts and circumstances is obtained that existed at the acquisition date.

Segment Reporting

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

Foreign Currency Translation

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

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

Balance Sheet

Year-end rates	2020	2019
1 USD	0.880	0.966
1 EUR	1.080	1.085
100 CNY	13.465	13.879

Income Statement

Average rates	2020	2019
1 USD	0.939	0.994
1 EUR	1.070	1.113
100 CNY	13.606	14.391

Property, Plant and Equipment

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

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

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

Leasing

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

Intangible Assets

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

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

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

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

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

Securities/Financial Assets

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

Inventories

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

Trade Receivables

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

Other Receivables

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

Accrued Income and Prepaid Expenses

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

Cash and Cash Equivalents

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

Equity/Treasury Shares

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

Equity/Hybrid Bonds

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

Financial Liabilities

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

Other Liabilities

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

Accrued Expenses and Deferred Income

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

Provisions

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

Employee Benefits

Pension Plans

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

The effective economic effects of all Group pension plans are calculated annually at the reporting date and the resulting liability or economic benefit recognized in the Balance Sheet. Pursuant to Swiss GAAP FER 16 economic liabilities and benefits of Swiss pension plans are determined on the basis of accounts drawn up in accordance with Swiss GAAP FER 26. For the valuation of foreign pension obligations actuarial reports are obtained that are based on dynamic models in line with the international accounting standards.

Employer contribution reserves are recognized as assets, provided they are not covered by a waiver of use. Changes in value of employer contribution reserves or liabilities are recognized as Personnel Expenses.

Share-Based Payments

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

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

BASF operated an employee share purchase plan, under the terms of which employees were able to acquire rights to future bonus shares by purchase with their own funds. In order to be able to offer the employees suitable compensation for the future rights existing at the date of the sale, a share plan limited to ten years was launched, under which the employees will receive in the years 2016–2025 Siegfried shares free of charge.

Profit Sharing / Bonus Plans

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

Taxes

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

Net Sales, Services and Long-Term Contracts

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

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

Cost of Goods Sold

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

Other Operating Income

The other operating income includes gains on the sale of fixed assets and income from activities that are not part of the Siegfried Group's core business.

Research and Development

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

Dividends

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

Government Grants

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

Transactions with Related Parties

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

Commitments and Contingencies

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

Company-wide Risk Management

The company-wide risk management is based on the ISO 31000 standard for risk management and is adjusted to the specific situation of the Siegfried Group. The risk management concept is assessed annually and, if necessary, adjusted and improved.

Core Targets of Company-Wide Risk Management

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

Identification, Evaluation and Management

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

At its strategy meeting on July 13 and 14, 2020, 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 27, 2020.

The Annual Report on the Internal Control System, including its assessment, was also approved at the meeting on November 27, 2020. The risk management and the ICS reports were also pre-discussed in the Audit Committee on November 11, 2020.

Financial Risk Management

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

Market Risks

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

Foreign Exchange Risks

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

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

Interest Rate Risks

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

Market Value Risks

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

Liquidity Risks

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

Credit Risks/Counterparty Risks

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

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

Capital Risk

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

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

Derivative Financial Instruments

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

Estimates, Assumptions and Accounting Judgments

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

Impairment Test of Non-Financial Non-Current Assets

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

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

Deferred Tax Assets

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

At December 31, 2020, Siegfried had available unrecognized tax losses and tax credits of CHF 104.9 million (see note 5).

Environmental Provisions

Provisions relate to obligations to eliminate environmental pollution. Future decontamination costs depend on the regulatory status and management decisions on future construction projects. Depending on the nature and scope of the construction projects realized, the obligation to eliminate detrimental effects on the environment is increased or reduced.

The environmental provision amounting to CHF 20.2 million would as a consequence be higher or lower (see note 12).

Pension obligations for foreign pension plans

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

1. Scope of Consolidation GRI 102-45

The consolidation includes the following companies:

Group companies	Share capital	in LC	Participation
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)	750 500	EUR	100.00%
Siegfried Malta Ltd, Valletta (Malta)	100 000	EUR	100.00%
Siegfried (Nantong) Pharmaceuticals Co. Ltd, Nantong (China)	422 296 722	CNY	100.00%
Siegfried 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 GmbH, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Hameln Real Estate GmbH + Co. KG, Hameln (Germany)	25 000	EUR	100.00%
Siegfried Holding AG, Zofingen (Switzerland)	105 294 200	CHF	100.00%
Siegfried Hong Kong Ltd, Hong Kong (China)	1 000	HKD	100.00%
Siegfried USA Holding Inc., Pennsville (USA)	3 000	USD	100.00%
Joint venture			
Alpine Dragon Pharmaceuticals Ltd, Huangyang, Gansu Province (China)	10 542 708	CNY	49.00%

Siegfried Hameln Services GmbH, Hameln became retrospectively with economic effect from January 1, 2020 merged into Siegfried GmbH, Hameln.

The par value per share of Siegfried Holding AG was determined by resolution of the general meeting from April 17, 2020 from CHF 27 each to CHF 24.20 each. The share capital as at December 31, 2020 amounts to CHF 105.3 million and is divided into 4 351 000 registered shares with a par value of CHF 24.20 each (2019: 4 306 000 registered shares with a par value of CHF 27 each), see note 10.

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

2. Property, Plant and Equipment

In 1000 CHF	Land	Buildings and leasehold improvements	Machinery and equipment	Assets under construction	Total
Acquisition costs					
As of January 1, 2019	25 863	344 911	1 035 850	129 192	1 535 816
Translation differences	-182	-6 464	-21 293	-999	-28 938
Additions	-	4 703	15 338	38 607	58 648
Disposals	-	-206	-6 611	-	-6 817
Reclassifications	-	14 294	82 407	-97 820	-1 119
As of December 31, 2019	25 681	357 238	1 105 691	68 981	1 557 590
Translation differences	-40	-5 419	-15 537	-837	-21 833
Additions	1 285	1 620	16 902	57 246	77 053
Disposals	-	-123	-5 749	-	-5 872
Reclassifications	-	3 281	34 697	-38 080	-102
As of December 31, 2020	26 926	356 597	1 136 004	87 310	1 606 837
Accumulated depreciation and impairments					
As of January 1, 2019	-	207 392	807 827	-	1 015 219
Impairments ¹	-	1 685	853	-	2 538
Translation differences	-	-4 378	-17 072	-	-21 450
Depreciation charge	-	8 730	40 868	-	49 598
Disposals	-	-206	-6 487	-	-6 693
As of December 31, 2019	-	213 223	825 989	-	1 039 212
Translation differences	-	-3 285	-11 065	-	-14 350
Depreciation charge	-	9 072	44 057	-	53 129
Disposals	-	-113	-5 668	-	-5 781
As of December 31, 2020	-	218 897	853 313	-	1 072 210
Net book value 31/12/2020	26 926	137 700	282 691	87 310	534 627
Net book value 31/12/2019	25 681	144 015	279 702	68 981	518 379

¹ Impairment in connection with the cease of operations at Siegfried Pharma AG.

At December 31, 2020, Land included CHF 2.6 million (2019: CHF 2.6 million) undeveloped property.

As of December 31, 2020, commitments for the purchase of property, plant and equipment amounted to CHF 16.1 million (2019: CHF 12.8 million).

3. Intangible Assets

In 1000 CHF	Licenses, patents	Trademarks	Software	Others	Total
Acquisition costs					
As of January 1, 2019	11 808	6 516	15 208	6 006	39 538
Translation differences	-196	-119	-158	-193	-666
Additions	-	-	61	213	274
Disposals	-	-	-38	-	-38
Reclassification	-	-	1 118	-	1 118
As of December 31, 2019	11 612	6 397	16 191	6 026	40 226
Translation differences	-938	-586	-246	-161	-1 931
Additions	-	235	63	76	374
Disposals	-	-	-218	-	-218
Reclassification	-	-	102	-	102
As of December 31, 2020	10 674	6 046	15 892	5 941	38 553
Accumulated amortization and impairments					
As of January 1, 2019	8 851	6 516	12 808	738	28 913
Impairments ¹	-	-	1 373	-	1 373
Translation differences	-161	-119	-131	-36	-447
Amortization charge	652	-	843	463	1 958
Disposals	-	-	-38	-	-38
As of December 31, 2019	9 342	6 397	14 855	1 165	31 759
Translation differences	-776	-572	-226	-27	-1 601
Amortization charge	573	22	898	449	1 942
Disposals	-	-	-207	-	-207
As of December 31, 2020	9 139	5 847	15 320	1 587	31 893
Net book value 31/12/2020	1 535	199	572	4 354	6 660
Net book value 31/12/2019	2 270	-	1 336	4 861	8 467

¹ Impairment in connection with the cease of operations at Siegfried Pharma AG.

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)	2020	2019
Theoretical goodwill		
As of January 1	159 200	159 200
As of December 31	159 200	159 200
Accumulated amortization		
As of January 1	62 061	51 447
Amortization	10 614	10 614
As of December 31	72 675	62 061
Theoretical goodwill December 31	86 525	97 139

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)	2020	2019
Operating result according to income statement	79 392	57 042
Amortization of goodwill	-10 614	-10 614
Theoretical operating result incl. amortization of goodwill	68 777	46 428
Net profit according to income statement	60 867	53 147
Amortization of Goodwill	-10 614	-10 614
Theoretical net profit incl. amortization of goodwill	50 253	42 533
Equity according to balance sheet	733 183	691 679
Theoretical capitalization of goodwill (net book value)	86 525	97 139
Theoretical equity incl. net book value of goodwill	819 709	788 818

4. Investment in Associated Companies and Joint Ventures

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

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

5. Income Taxes

In 1000 CHF	2020	2019
Current tax expense	14 731	8 631
Deferred tax expense	-1 568	-10 344
Total income taxes	13 163	-1 713
Profit before income tax	74 030	51 433
Group's effective income tax rate	17.8%	-3.3%

In 1000 CHF	2020	2019
Average expected tax rate	15.6%	20.5%
Average expected income taxes	11 529	24 033
Effects of changes in tax rates	-1 810	-797
Reassessment of tax loss carry-forwards	-	125
Non-recognition of tax loss carry-forwards	3 473	2 076
Effect of unrecognized tax loss carry-forwards used against taxable profits	-642	-8 187
Income taxes from prior periods, net	233	-4 852
Tax accounting from step up on trademarks	-	-8 513
Other effects	380	-5 598
Group's effective income taxes	13 163	-1 713
Group's effective income tax rate	17.8%	-3.3%

In 2020 the Group's average expected tax rate is 15.6% (2019: 20.5%). The effective tax rate based on earnings before taxes is 17.8% (2019: -3.3%).

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

In 1000 CHF	December 31, 2019	Change	December 31, 2020
Deferred tax assets	41 539	- 2 056	39 483
Deferred tax liabilities	11 959	- 2 829	9 130

Deferred tax assets consist of temporary differences and tax loss carry-forwards from individual subsidiaries. As of December 31, 2019, deferred tax assets were capitalized of CHF 5.9 million on tax loss carry-forwards (2019: CHF 6.4 million). The other deferred tax assets of CHF 33.6 million are mainly due to temporary differences on liabilities of foreign pension plans and the step up of trademark rights (2019: CHF 35.1 million).

Deferred tax assets and liabilities are calculated using the tax rates currently applicable and applied to future taxation (CH 11.4% – 16.9%, CN 25.0%, DE 30.0%, FR 25.8%, MT 35.0%, US 21.0%).

In 1000 CHF	2020	2019
Expiry of unrecognized tax losses and tax credits		
Within one year	5 389	416
Between one and five years	41 189	43 814
More than five years	58 334	51 347
Total unrecognized tax losses and tax credits	104 912	95 577

In addition the Group has available CHF 104.9 million unrecognized tax loss carry-forwards and tax credits (2019: CHF 95.6 million).

6. Inventories

In 1000 CHF	2020	2019
Raw materials	95 288	80 151
Semifinished goods	112 074	106 770
Finished goods and trading goods	65 071	70 037
Total inventories	272 432	256 958

The valuation allowances for inventory amount to CHF 12.4 million (2019: CHF 16.2 million) and are included in the figures above.

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

As of December 31, 2020, there are CHF 3.2 million semifinished goods from PoCM orders booked in inventory (2019: CHF 9.6 million).

7. Trade Receivables

In 1000 CHF	2020	2019
Trade receivables	258 186	246 016
Allowances for doubtful accounts	-1 064	-601
Total trade receivables	257 122	245 415

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

In 1000 CHF	2020	2019
Not yet due	230 669	225 429
Due 0–3 months	26 398	19 269
Due >3 months	55	717
Total trade receivables	257 122	245 415

8. 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 2020 aggregating USD 55.0 million and EUR -3.6 million (2019: USD 45.0 million and EUR 50.0 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	
	2020	2019	2020	2019	2020	2019
Foreign currency swaps	44 512	97 749	525	726	233	-
Total	44 512	97 749	525	726	233	-

9. Treasury Shares

Treasury shares are deducted at transaction value directly from equity. At December 31, 2020, the book value of the treasury shares was CHF 66.3 million (2019: CHF 77.0 million).

Treasury shares	December 31, 2019	Change	December 31, 2020
Total treasury shares	199 586	-30 197	169 389
Total Siegfried shares	4 306 000	45 000	4 351 000
Total outstanding shares	4 106 414	75 197	4 181 611

In 2020, 7 227 shares (2019: 116 799 shares) were acquired with an average price of CHF 533.70 (2019: CHF 368.20) and 374 424 shares (2019: 56 425 shares) sold for an average price of CHF 624.10 (2019: CHF 356.00).

10. Share Capital – Hybrid Capital – Conditional Capital

As of December 31, 2020 the share capital amounts to CHF 105.3 million and it is divided into 4 351 000 registered shares each with a par value of CHF 24.20 (2019: 4 306 000 registered shares each with a par value of CHF 27.00). The shares of Siegfried Holding AG increased by 45 000 shares as a result of the issue of shares from conditional capital for employee benefit programs. In addition the nominal value per share was reduced from CHF 27.00 each to CHF 24.20 each by resolution of the general assembly on April 17, 2020.

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).

Title	Issue Date	Nominal Value	Interest Rate	Call Date
Public Hybrid Bond 2016, 2.125%	26/10/2016	160 000	2.125%	26/10/2021
Private Convertible Hybrid Bond 2020, 0.65%	28/12/2020	40 000	0.650%	28/12/2025
Private Convertible Hybrid Bond 2020, 1.15%	28/12/2020	40 000	1.150%	28/12/2025

In accordance with Art. 3.2.a. according to the bond terms and conditions, Siegfried Holding AG has repaid its subordinated public hybrid bond issued in 2015 in the amount of CHF 100 million on its own initiative and on the first repayment date, i.e. October 26, 2020. The repayment build-up corresponded to the nominal value of the bond of CHF 100 million based on the last coupon of 3.50%.

Siegfried Holding AG has issued two private hybrid convertible bonds in the 2020 financial year of CHF 40 million each. The hybrid convertible bonds are subordinated bonds with an infinite term, which earn interest with coupons of 0.65% and 1.15%. The two public hybrid convertible bonds have a first call date five years after they were issued. Will this not exercised, the interest to be paid increases (step up). In addition, there are optional conversion rights at calculated conversion prices which can be exercised during the term. The conversion prices may change according to the conditions of the convertible bonds, in particular in the case of dividend payments by the company. The conversions are made via own shares ensured, i.e. without a capital increase. These are fully covered, see note 9.

Siegfried Holding AG has at its disposal conditional capital of CHF 3 968 000 for the creation of 164 000 shares (par value of CHF 24.20) to serve the Long Term Incentive Plan (LTIP) and other employee benefit plans (2019: CHF 5 643 000 for 209 000 shares with a par value of CHF 27.00).

In 2020, 45 000 shares were allocated for participation programs from conditional capital (2019: 49 251 shares).

Conditional capital (number of shares)	December 31, 2019	Change	December 31, 2020
Long Term Incentive Plan (LTIP) and other employee benefit plans	209 000	-45 000	164 000
Total	209 000	-45 000	164 000

11. Financial Liabilities

In March 2020, the existing syndicated loan agreement was prematurely replaced by a new syndicated loan agreement in the amount of CHF 300 million with an accordion option in the amount of an additional CHF 100 million (old credit line CHF 200 million and additional CHF 100 million accordion option) with a term by five years (2020–2025). In December 2020, the accordion option is not drawn in full in order to have all the funds for working capital at all times.

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 Siegfried Group fulfilled this covenant at the year-end. At December 31, 2020, the equivalent of CHF 140.0 million was drawn down (2019: CHF 135.0 million).

12. Provisions

In 1000 CHF	Environmental provisions	Restructuring provisions	Other provisions	Total
As of January 1, 2019	22 254	16 900	361	39 515
Costs incurred	-551	-4 675	-55	-5 281
Additions, interest	210	-	7	217
Releases of unused provisions	-248	-9 700	-	-9 948
Currency translation	-21	-	-7	-28
As of December 31, 2019	21 644	2 525	306	24 475
Thereof current	6 728	2 525	250	9 503
Thereof non-current	14 916	-	56	14 972
As of January 1, 2020	21 644	2 525	306	24 475
Costs incurred	-1 287	-960	-	-2 247
Additions, interest	143	-	38	181
Releases of unused provisions	-316	-1 040	-142	-1 498
Currency translation	-3	-	-	-3
As of December 31, 2020	20 181	525	202	20 908
Thereof current	6 710	525	146	7 381
Thereof non-current	13 471	-	56	13 527

Environmental provisions

The Siegfried Group produces chemical products at various locations. The production process is such that undesirable incidents may also arise, which result in an obligation to remedy pollutant effects on the environment. In connection with planned construction projects, environmental investigations were performed. Possible remediation obligations of CHF 20.2 million have been provided for (2019: CHF 21.6 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 (2019: 0.6 million). The start of the planned construction projects is anticipated within the next 15 years. The environmental provision was discounted with 2% (2019: 2%) to the present value of the expected expenditures. The compounding amounted to CHF 0.2 million (2019: discount CHF 0.2 million). Management reviews the provisions annually, based on regulatory changes or changes in planned investments. In the reporting year the review result in a release of CHF 0.3 million (2019: CHF 0.2 million).

Restructuring provisions

From the restructuring provision of CHF 2.5 million at Siegfried Pharma AG, Zofingen, CHF 1.0 million was used for personnel measures in the reporting period. The restructuring provision was reassessed and amounted to CHF 0.5 million at the end of December 2020.

Other provisions

The other provisions of CHF 0.2 million (2019: 0.3 million) cover costs in connection with product warranties.

13. Other Non-Current Liabilities

Other non-current liabilities of CHF 1.3 million (2019: CHF 1.8 million) include mainly liabilities arising from long service awards.

14. Accrued Expenses and Deferred Income

Accrued expenses and deferred income amount to CHF 36.1 million (2019: CHF 31.1 million) and include mainly periodic accruals for personnel costs and social security charges and various expense and income accruals.

15. Other Current Liabilities

Other current liabilities of CHF 73.1 million (2019: CHF 43.7 million) comprise VAT liabilities, precious metals liabilities and current employee liabilities amounting to CHF 36.9 million (2019: CHF 40.0 million) as well as customer prepayments of CHF 36.2 million (2019: CHF 3.7 million).

16. Employee Benefits and Personnel Expenses

In 1000 CHF	2020	2019
Wages and salaries	207 316	198 912
Share-based payments	8 001	7 901
Pension expense	19 792	40 801
Expenses for other long-term employee benefits	-90	845
Social and other personnel expenses	49 272	47 481
Total personnel expenses	284 291	295 940

In the year under review, the average number of employees (in full-time positions) was 2 532 (2019: 2 407).

The discount rate for the interest on pension liabilities in Siegfried PharmaChemikalien Minden GmbH (DE) lost another 30 basis points (2019: reduction of 100 basis points).

Pension liabilities and economic benefits are as follows:

In 1000 CHF	Excess/insufficient cover ¹		Economic part for the company		Change vs. PY or taken to the Income Statement in the FY ²	Contributions	Pension expenses (personnel)	
	31/12/2019	31/12/2020	31/12/2019	31/12/2020			2020	2020
Pension institutions with surplus (CH)	45 249	9 581	9 372	-210	9 536	9 326	7 229	
Pension plans without own assets (DE)	-144 425	-149 756	-145 147	4 609	3 807	9 089	31 847	
Pension plans without own assets (FR)	-1 447	-1 791	-1 643	148	206	155	217	
Pension plans without own assets (USA)	-446	-440	-505	-65	1 037	1 222	1 508	
Total	-101 069	-142 406	-137 923	4 482	14 586	19 792	40 801	

¹ For domestic institution, the reported value corresponds to the previous year's SWISS GAAP FER 26 financial statements, for foreign pension plans without own assets (DE, FR & USA), the reported value corresponds to the economical part for the company of the previous year converted using the 2020 year-end balance sheet rate.

² currency effects adjusted.

The employer contribution reserves are as follows:

	Nominal value	Waiver of usage	Other value adjustments		Balance Sheet asset	Result from ECR in personnel expenses	
In 1000 CHF	31/12/2020	31/12/2020	31/12/2020	31/12/2020	31/12/2019	2020	2019
Pension schemes (CH)	9 581	–	–	9 581	9 362	–219	–745
Total	9 581	–	–	9 581	9 362	–219	–745

17. Share-Based Payments

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

The valuation of the PSU is undertaken at the beginning of the relevant vesting period by an external company, which is specialized in the valuation of option and equity plans. The recognition of personnel expenses for the current plan periods is based on a performance factor of 1.

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

Plan period	Numbers of PSU	Fair Value (CHF)	Personnel expense (in 1000 CHF)
2018–2020	23 249	315.49	2 335
2019–2021	27 100	200.63	1 907
2020–2022	29 632	193.83	2 068
Total			6 310

In March 2020, the shares were transferred for the performance period 2017–2019. The target achievement and thus the performance factor was 154.8%, i.e. 1.548 shares were allocated per PSU, see Remuneration Report.

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 2020, total 4 000 shares (2019: 3 009 shares) were bought by employees. The total expense for Siegfried (share 30%) for the ESPP amounted in the reporting year to CHF 0.3 million (2019: CHF 0.3 million).

18. Other Operating Income

The Other Operating Income of CHF 2.4 million (2019: CHF 4.5 million) includes revenues from the sale of side products amounting to CHF 0.6 Mio. (2019: CHF 2.5 million) and miscellaneous other income of CHF 1.8 million (2019: CHF 2.0 million).

19. Financial Result

The Financial Result of CHF 5.4 million (2019: CHF 5.6 million) comprises CHF 3.1 million financial expense (2019: CHF 3.2 million), financial income of CHF 0.3 million (2019: CHF 0.0 million) and foreign exchange differences of CHF 2.6 million loss (2019: CHF 2.5 million loss).

The financial expense includes CHF 2.9 million (2019: CHF 3.0 million) for debt interest and fees and CHF 0.2 million for the compounding of the environmental reserve (2019: CHF 0.2 million).

20. 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.

	2020	2019
Net profit attributable to Siegfried shareholders (in 1000 CHF)	60 867	53 147
Weighted average number of shares outstanding	4 145 290	4 136 268
Non-diluted earnings per share	14.68	12.85
Net profit attributable to Siegfried shareholders (in 1000 CHF)	60 867	53 147
Weighted average number of shares outstanding	4 145 290	4 136 268
Adjustment for assumed exercise of share-based payments, where dilutive	147 253	106 675
Diluted earnings per share	14.18	12.53

Earnings per share are calculated excluding interest on hybrid bonds. Including interest expense attributable to hybrid equity holders, basic earnings per share are CHF 13.17 (2019: CHF 11.18) and diluted earnings per share are CHF 12.72 (2019: CHF 10.90).

21. Distribution per Share

At the Annual General Meeting on April 22, 2021, the Board of Directors will propose to reduce the par value from CHF 24.20 per share by CHF 3.00 to CHF 21.20 per share and to distribute the amount of the par value reduction of CHF 3.00 per share instead of a dividend (2019: par value reduction CHF 2.80 per share).

The repayment of the par value reduction is expected to take place in early July 2021 in accordance with capital reduction procedure in Switzerland under Swiss law.

22. Commitments and Contingencies

In connection with the new syndicated loan, there is no guarantee at the end of the year (2019: CHF 148.5 million).

At December 31, 2020, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 20.0 million and EUR 3.8 million (2019: CHF 5.0 million and EUR 4.0 million).

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

23. Maturity of Rental and Lease Liabilities

	Operating Leases	Operating Leases
In 1000 CHF	2020	2019
Due under 1 year	6 775	6 807
Due between 1 and 5 years	22 035	23 723
Due after 5 years	44 055	50 012
Total lease liabilities	72 865	80 542

Of these liabilities CHF 59.8 million (2019: 64.1 million) relate to the new administration buildings in Zofingen, as well as the other production sites as follows: Malta CHF 0.3 million (2019: CHF 0.6 million), Minden CHF 2.7 million (2019: CHF 3.1 million), Hameln CHF 0.5 million (2019: CHF 0.8 million) and Irvine CHF 9.3 million (2019: CHF 11.6 million).

24. Transactions with Related Parties

As in prior year no transaction with related parties took place in 2020 and at the reporting date there were no receivables from or payables to related parties.

Siegfried has its own pension funds in Switzerland.

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

25. Net Sales

Net Sales by Product Group

In CHF million	2020	2019
Drug Substances	647.8	638.6
Drug Products	197.2	194.9
Total net sales	845.1	833.5

Net Sales by Foreign Currency

In CHF million	2020	2019
in CHF	313.1	251.9
in EUR	364.7	397.8
in USD	166.0	181.8
in anderen Währungen	1.3	2.0
Total net sales	845.1	833.5

The Net Sales of CHF 845.1 million include CHF 5.2 million (2019: CHF 22.7 million) from long-term contracts under the PoCM.

26. 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.

27. Post Balance Sheet Events

Effective January 1, 2021, Siegfried has acquired from Novartis two pharmaceutical production sites in Spain.

The two sites in the Barcelona province with approximately 1 000 employees are specialized in the manufacturing of ophthalmic steriles (El Masnou) as well as oral solid dosage forms (OSD) and capsules used in inhalation devices (Barberà del Vallès). The site in El Masnou is a leading manufacturer for its markets and complements Siegfried’s existing ophthalmic capacity and capabilities for ophthalmology products and sterile filling at its sites in Irvine (US) and Hameln (DE). The site in Barberà del Vallès significantly strengthens Siegfried’s existing OSD capabilities in Malta by adding large-scale capacity and capabilities to manufacture highly potent drug products as well as enhancing the portfolio with attractive inhalation products. The two sites are expected to generate net sales of around EUR 150 million in 2021.

With this acquisition, Siegfried will significantly enhance its global production network in terms of capacities and technological capabilities and will achieve the targeted critical size in the field of drug products (finished dosage forms).

The purchase price component of provisionally EUR 100 million due upon closing was paid at the beginning of 2021 in full in cash. The acquisition was funded with the issuance of two private convertible hybrid bonds in 2020 with a volume of CHF 80 million and with drawn down on existing credit facilities. There was no increase in share capital. In the coming years, we expect further volume- and performance-related payments to the seller, up to a maximum of EUR 61 million. It is Siegfried’s intention to fund such payments out of operating cash flow.

The fair value of the identifiable assets and liabilities (purchase accounting) is not yet determined. The closing accounts are expected at a later date.

There are no other significant events after the balance sheet date.

Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Siegfried Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

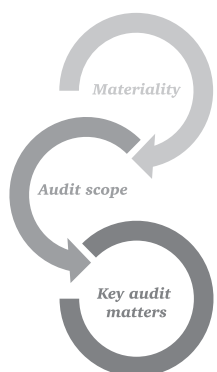
In our opinion, the consolidated financial statements (pages 7 to 39) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER 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 3 700 000

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

Our audit scope addressed 88% of the sales revenue and 85% of the assets of the Group.

Additionally, either specified audit procedures or a review were concluded at a further four group companies in three countries, which addressed a further 12% of the sales revenue and 15% of the assets of the Group.

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

Recoverability of inventories

Materiality

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

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

Overall Group materiality	CHF 3 700 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

Audit Scope

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

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

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

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

Recoverability of Inventories

Key audit matter	How our audit addressed the key audit matter
<p>As of December 31, 2020, the net carrying value of inventories amounted to CHF 272 million. This corresponds to around 22% of total assets.</p> <p>We consider the valuation of inventories to be a particularly important audit matter due to the amount of the balance sheet item and the discretion in determining the necessary value adjustments for inventories with a lower net realizable value.</p> <p>We refer to page 15 (accounting principles) and page 29 (appendix to the consolidated annual financial statements, note 6, inventories) in the 2020 annual report.</p>	<p>We assessed the appropriateness of the processes in the area of the valuation of the inventories. In doing so, we identified the key controls and checked their effectiveness using random samples.</p> <p>We compared the acquisition costs with the last purchase prices on a random basis.</p> <p>We checked the standard cost calculation on a sample basis. We also assessed the variances between the standard and actual costs.</p> <p>We checked randomly whether the calculation of the valuation allowances for non-curable inventories was mathematically correct and appropriate.</p> <p>We assessed whether the principle of loss-free valuation was complied with for inventories.</p> <p>Our audit results support the valuation of inventories made by management as of December 31, 2020.</p>

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, 19 February 2021



Financial Statement of Siegfried Holding AG

Balance Sheet of Siegfried Holding AG

In CHF (as of December 31)	2020	2019
Assets		
Current assets		
Cash and cash equivalents	38 921 845	977 004
Securities	10 003	10 003
Other current receivables due from third parties	48 809	30 920
Other current receivables due from Group companies	32 083 681	3 829 915
Accrued income and prepaid expenses	4 616 951	1 661 114
Total current assets	75 681 290	6 508 955
Non-current assets		
Loans to Group companies	674 123 540	721 258 474
Investments	182 990 188	182 990 188
Total non-current assets	857 113 728	904 248 661
Total assets	932 795 017	910 757 617
Liabilities and shareholders' equity		
Current liabilities		
Other short-term liabilities due from third parties	631 544	231 790
Other short-term liabilities due from Group companies	39 501 552	–
Accrued expenses and deferred income	12 179 284	9 029 239
Short-term financial liabilities due from third parties	–	135 000 000
Short-term hybrid capital	160 000 000	100 000 000
Total short-term liabilities	212 312 381	244 261 029
Non-current liabilities		
Long-term interest-bearing liabilities third parties	139 968 000	–
Long-term financial liabilities due from Group companies	8 117 040	39 135 936
Long-term hybrid capital	80 000 000	160 000 000
Total long-term liabilities	228 085 040	199 135 936
Total liabilities	440 397 421	443 396 965
Shareholders' equity		
Share capital	105 294 200	116 262 000
Legal reserves	3 320 000	2 800 000
Reserves from capital contribution	22 222 033	8 516 576
Voluntary reserves	416 829 524	406 376 086
Treasury shares	–66 258 159	–77 005 633
Statutory retained earnings	10 989 998	10 411 623
Total shareholders' equity	492 397 597	467 360 652
Total liabilities and shareholders' equity	932 795 017	910 757 617

Income Statement of Siegfried Holding AG

In CHF	2020	2019
Income		
Financial income	19 414 135	32 702 806
Service income	25 643 491	872 593
Total income	45 057 626	33 575 399
Expenses		
Personnel expense	7 965 840	1 963 435
Administrative expense	3 527 763	3 820 921
Financial expense	20 321 104	16 957 580
Taxes	2 252 921	421 839
Total expenses	34 067 628	23 163 776
Net profit	10 989 998	10 411 623

Notes to the Financial Statements of Siegfried Holding AG

General Information

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

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

Guarantees and Securities

In connection with the new syndicated loan, there is no guarantee at the end of the year (2019: CHF 148.5 million). At December 31, 2020, guarantees had been given by Siegfried Holding AG in favor of banks in the amount of CHF 20.0 million and EUR 3.8 million (2019: CHF 5.0 million and EUR 4.0 million).

Balance Sheet

Investments

As of December 31, 2020, Siegfried Holding AG held the following direct or significant indirect investments:

Group companies	in LC	Participation	Share capital 2020	Share capital 2019
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	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 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
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

* Siegfried Hameln Services GmbH, Hameln, was merged retrospectively as of January 01, 2020 into Siegfried GmbH, Hameln.

Non-Current Assets

Investments in subsidiaries and affiliates include those companies in which Siegfried Holding AG has an direct interest of more than 20%. The investments are valued at acquisition cost less valuation allowances.

The non-current loans to Group companies were granted to finance investments in fixed assets and in other operating projects and activities and increased in 2020 by CHF 47.1 million.

Current Assets

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

Shareholder's Equity

The share capital of Siegfried Holding AG decreased net by CHF 11.0 million from CHF 116.3 million to CHF 105.3 million as a result of the issue of shares under employee benefit programmes of CHF 1.2 million and the repayment of par value to the shareholders in the amount of CHF 12.2 million. It is divided into 4 351 000 registered shares each with a par value of CHF 24.20 (2019: 4 306 000 registered shares with a par value of CHF 27.00). The legal reserves increased by CHF 0.5 million to CHF 3.3 million (2019: CHF 2.8 million).

The capital contribution reserve increased as a result of the capital increase of conditional capital by CHF 13.7 million to CHF 22.2 million (2019: CHF 8.5 million).

The treasury shares are shown as a negative balance in equity.

Conditional Capital

The conditional capital to serve the Long Term Incentive Plans (LTIP) and other employee share plans amounts to CHF 3 968 800 for 164 000 shares (2019: CHF 5 643 000 for 209 000 shares), after the creation of 45 000 shares.

Treasury Shares

In the reporting year Siegfried Holding AG has made purchases and sales of Siegfried shares. On balance Siegfried held 169 389 shares at year end which is a decrease by 30 197 shares during 2020 (2019: increase by 60 374 shares). The shares are valued at the average rate.

CHF	Number of shares	Average prices
At January 1, 2019	139 212	403.3
Purchases 2019	116 799	368.2
Sales 2019	-56 425	356.0
At December 31, 2019	199 586	385.8
Purchases 2020	7 227	533.7
Sales 2020	-37 424	624.1
At December 31, 2020	169 389	391.2

Liabilities

In March 2020, the existing syndicated loan agreement was prematurely replaced by a new syndicated loan agreement in the amount of CHF 300 million with an accordion option in the amount of an additional CHF 100 million (old credit line CHF 200 million and additional CHF 100 million accordion option) with a term by five years (2020–2025). In December 2020, the accordion option is not drawn in full in order to have all the funds for working capital at all times.

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 Siegfried Group fulfilled this covenant at the year-end. At December 31, 2020, the syndicated loan was drawn in the equivalent of CHF 140.0 million (2019: CHF 135.0 million).

The three 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). The Hybrid bond 2016 is disclosed as short term liability.

	Issue date	Nominal value	Interest	Call date
Public hybrid bond 2016	26/10/2016	160 000	2.125%	26/10/2021
Private convertible hybrid bond 2020	28/12/2020	40 000	0.650%	28/12/2025
Private convertible hybrid bond 2020	28/12/2020	40 000	1.150%	28/12/2025

In accordance with Art. 3.2.a. according to the bond terms and conditions, Siegfried Holding AG has repaid its subordinated public hybrid bond issued in 2015 in the amount of CHF 100 million on its own initiative and on the first repayment date, i.e. October 26, 2020. The repayment build-up corresponded to the nominal value of the bond of CHF 100 million based on the last coupon of 3.50%.

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, 2020, 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 2020, 2 400 shares with a value of CHF 0.8 million were distributed to the members of the Board of Directors. On December 31, 2020, the non-executive members of the Board of Directors and persons closely related to them owned 38 794 (2019: 36 279) registered shares of Siegfried Holding AG. This represents 0.9% (2019: 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 68 214 (2019: 60 763) registered shares, i.e. 1.6% (2019: 1.4%) of the share capital of Siegfried Holding AG.

December 31, 2020			
	Function	Number of shares	of which blocked
Board of Directors			
Andreas Casutt	Chairman	19 600	2 042
Martin Schmid	Vice-Chairman	1 949	1 021
Colin Bond	Member	3 449	1 021
Wolfram Carius	Member	2 949	1 021
Reto Garzetti	Member	8 483	1 021
Ulla Schmidt	Member	1 949	1 021
Isabelle Welton	Member	415	300
Total		38 794	7 447
Executive Management			
Wolfgang Wienand	CEO	18 371	–
Reto Suter	CFO	6 750	3 500
René Imwinkelried	Chief Operating Officer	12 948	–
Arnoud Middel	Chief Human Resources Officer	3 012	–
Marianne Späne	Chief Business Officer	26 353	–
Jürgen Roos	Chief Scientific Officer	780	500
Total		68 214	4 000

December 31, 2019 ¹			
	Function	Number of shares	of which blocked
Board of Directors			
Andreas Casutt	Chairman	19 000	2 298
Martin Schmid	Member	1 649	1 149
Colin Bond	Member	3 149	1 149
Wolfram Carius	Member	2 649	1 149
Reto Garzetti	Member	8 183	1 149
Ulla Schmidt	Member	1 649	1 149
Total		36 279	8 043
Executive Management			
Wolfgang Wienand	CEO	16 627	–
Reto Suter	CFO	4 000	3 500
René Imwinkelried	Chief Operating Officer	9 852	–
Arnoud Middel	Chief Human Resources Officer	4 500	–
Marianne Späne	Chief Business Officer	25 644	–
Jürgen Roos	Chief Scientific Officer	140	–
Total		60 763	3 500

¹ This table does not include shareholdings of former members of the Board of Directors. Rudolf Hanko, who did not put himself up for re-election in 2020, held 86 080 shares at the end of 2019.

Major Shareholders

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

	Reported number of shares	Reported participation in %
Ernst Göhner Stiftung, Zug, Switzerland	286 019 ¹	6.6
BlackRock, Inc., New York, USA	141 538 ²	3.3
Norges Bank (the Central Bank of Norway), Oslo, Norway	131 738 ³	3.0
Credit Suisse Funds AG, Zurich, Switzerland	129 258 ⁴	3.0
René Braginsky, Susanne Braginsky, David Braginsky; Zurich/Tel Aviv	128 000 ⁵	3.0
Siegfried Holding AG (own shares)	127 824 ⁶	3.0
Dimensional Holdings Inc., Wilmington, USA	126 587 ⁷	3.0
Total	1 070 964	24.9

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

² According to own statements on November 14, 2020.

³ According to own statements on December 11, 2020.

⁴ According to own statements on April 2, 2019.

⁵ According to own statements on December 12, 2018.

⁶ According to own statements on December 12, 2018.

⁷ According to own statements on March 3, 2018.

Net dissolution of hidden reserves

In the reporting period hidden reserves in the net amount of CHF 2.8 million have been dissolved (2019: dissolution of CHF 2.7 million).

Post Balance Sheet Events

Effective January 1, 2021, Siegfried has acquired from Novartis two pharmaceutical production sites in Spain.

The two sites in the province of Barcelona with around 1 000 employees are specialized on the production of sterile ophthalmic (El Masnou) as well as of oral solid dosage forms (OSD) and in capsules for inhalation devices (Barberà del Vallès). The El Masnou plant is a leading manufacturer for its markets and complements Siegfried's existing ophthalmic capacities products and sterile filling at Irvine (USA) and Hameln (DE) site. The location in Barberà del Vallès significantly strengthens Siegfried's OSD skills in Malta and extends Siegfried's skills portfolio also includes competencies and capacities for the production of highly effective drugs and attractive inhalation products. The two site will generate net sales in 2021 of around EUR 150 million.

With this acquisition, Siegfried will expand the capacities and technological capabilities of their global production network significantly and achieve the desired critical size in the area of finished formulated dosage forms (drug products).

The purchase price component of provisionally EUR 100 million due upon takeover was paid at the beginning of 2021 in full in cash. The acquisition was funded with the issuance of two private convertible hybrid bonds in 2020 in the amount of total CHF 80 million and with the increase of existing credit facilities. There was no increase in share capital. In the coming years further volume- and success-dependent payments to the seller are made up to a maximum of around EUR 61 million. It is Siegfried's intention to finance such payments by the current operating cash flow.

The fair value of the identifiable assets and liabilities (purchase accounting) is not yet determined. The closing accounts are expected at a later date.

There are no other significant events after the balance sheet date.

Proposal of the Board of Directors to the Annual General Meeting of April 22, 2021, regarding Appropriation of the Retained Earnings and the Repayment of Par Value from Share Capital

In CHF	2020
Balance brought forward	–
Profit for the year	10 989 998
Statutory retained earnings	10 989 998
Appropriation of retained earnings to legal reserves	–549 000
Appropriation of retained earnings to voluntary reserves	–10 440 998
Balance to be carried forward	–

At the Annual General Meeting on April 22, 2021, the Board of Directors will propose to reduce the par value from CHF 24.20 per share by CHF 3.00 to CHF 21.20 per share and to distribute the amount of the par value reduction of CHF 3.00 per share instead of a dividend.

The repayment of the par value reduction is expected to take place in early July 2021 in accordance with capital reduction procedure in Switzerland under Swiss law.

Report of the Statutory Auditor

to the General Meeting of Siegfried Holding AG, Zofingen

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Siegfried Holding AG, which comprise the balance sheet as at 31 December 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 44 to 52) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

Materiality

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

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

Overall materiality	CHF 3 700 000
How we determined it	0.4% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a generally accepted benchmark for holding companies.

Audit Scope

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

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers AG



Thomas Illi
Audit expert
Auditor in charge



Andreas Kägi
Audit expert

Basel, 19 February 2021



Information for Investors

Key Figures Overview 2016–2020

Consolidated Figures

		2020	2019	2018	2017 ¹	2016 ²
Net sales	CHF million	845.1	833.5	794.3	750.5	717.7
Growth in CHF	in %	1.4	4.9	5.8	4.6	49.3
Growth in LC	in %	4.5	6.9	4.4	3.8	47.3
Core EBITDA	CHF million	149.4	140.7	126.5	111.3	104.2
Growth	in %	6.2	11.3	13.6	6.8	30.1
Core EBITDA margin	in %	17.7	16.9	15.9	14.8	14.5
Core EBIT (operating profit)	CHF million	94.3	89.2	76.9	61.9	54.2
Growth	in %	5.8	16.0	24.2	14.2	16.8
Core EBIT margin	in %	11.2	10.7	9.7	8.2	7.6
Core net profit	CHF million	72.5	65.7	55.4	40.8	33.4
Core net profit margin	in %	8.6	7.9	7.0	5.4	4.7
Net debt	CHF million	85.6	109.6	70.1	65.9	59.5
Net debt / Core EBITDA		-0.6	-0.8	-0.6	-0.6	-0.6
Net Working Capital ³	CHF million	424.4	419.7	373.0	365.1	342.3
As % of net sales		50.2	50.4	47.0	48.6	47.7
Total assets	CHF million	1 242.3	1 168.7	1 103.1	1 071.0	1 021.4
Equity	CHF million	733.2	691.7	678.8	667.8	660.7
Equity ratio	in %	59.0	59.2	61.5	62.4	64.7
Average capital employed ⁴	CHF million	916.1	895.9	880.5	833.9	818.0
Return on capital employed (average) ROCE ⁵	in %	16.3	15.7	14.4	13.3	12.7
Cash flow from operating activities	CHF million	114.8	65.6	106.0	84.6	57.1
As % of net sales		13.6	7.9	13.3	11.3	8.0
Free cash flow ⁶	CHF million	45.7	3.8	46.0	32.3	-11.1
Investments in PPE and intangible assets	CHF million	69.1	61.9	60.1	52.8	68.4
As % of net sales		8.2	7.4	7.6	7.0	9.5
Employees (number of FTEs) ⁷	Number	2 532	2 407	2 294	2 260	2 315

¹ Restatement – Employee benefits.

² Results before special charges as Core results.

³ Calculation of Net Working Capital: Trade Receivables + inventories - Trade Payables - Customer Prepayments.

⁴ Calculation of Capital Employed over twelve months: PPE + Intangible Assets + Net Working Capital.

⁵ Calculation ROCE: Core EBITDA in relation to average capital employed over twelve months.

⁶ Calculation Free Cashflow: Operating Cashflow +/- Investment in PPE +/- Investment in Intangible Assets.

⁷ Year-end values.

Core Results

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

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

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

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

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

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

Reconciliation 2020 Results Swiss GAAP FER to Core

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

Interest effect on pension liabilities

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

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

Transaction costs

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

Step up

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

Others

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

Reconciliation 2019 Results Swiss GAAP FER to Core

In 1000 CHF (as of December 31)	Swiss GAAP FER	Interest effect on pension liabilities	Restructuring	Transaction and integra- tion costs	Impairments	Step up	Others	Core
Net sales	833 514	–				–		833 514
Cost of goods sold	–660 791	–				–		–660 791
Gross profit	172 723	–				–		172 723
Marketing and sales costs	–16 644	–				–		–16 644
Research and development costs	–33 297	–				–		–33 297
Administration and general over- head costs	–70 216	32 106				–		–38 110
Discount rate change on foreign pension liabilities	–	30 079				–		–
Current net interest on foreign pension liabilities	–	2 027				–		–
Other operating income	4 504	–				–		4 504
Income of associated companies	–27	–				–		–27
Operating result (EBIT)	57 042	32 106				–		89 149
Financial result	–5 609	–2 027				–		–7 637
Profit before income taxes	51 433	30 079	–			–		81 512
Income taxes	1 713	–9 020				–8 513		–15 819
Net profit	53 147	21 059				–8 513		65 694
EBITDA	108 600	32 106				–		140 706

Interest effect on pension liabilities

According to Swiss GAAP FER, the effects of interest on pension liabilities are to be reported as non-cash personnel expenses. The effects of changes in interest rates (discount rate) are neutralized for the core results. The reduction in the discount rate of 100 basis points for the interest on pension liabilities in Siegfried PharmaChemikalien Minden GmbH, Germany, accounts for the majority of the approximately CHF 30.1 million core adjustment.

The current net interest on pension liabilities in the amount of CHF 2.0 million is reclassified from personnel expenses to financial expenses for the core results. Deferred taxes must be corrected accordingly by CHF 9.0 million in order to present the core net profit.

Step up

In connection with the recent tax reform and the abandonment of the tax privileged status of Siegfried Holding AG, the trademark rights are capitalized in the Step up (existing law) in the tax balance sheet. The deferred tax asset booked under Swiss GAAP FER is not included in the core result.

Stock Market Data

			2020	2019	2018	2017	2016
Registered shares nom. CHF 24.20 ²			4 351 000	4 306 000	4 256 748	4 210 915	4 166 591
Share capital	CHF million		105.3	116.3	8.5	8.3	8.3
Distribution per registered share ²	CHF		3.00	2.80	2.60	2.40	2.00
Total distribution ²	CHF		13 053 000 ¹	12 056 800	10 686 699	9 942 072	7 759 840
Market prices registered share	high	CHF	689.0	469.0	469.5	327.0	216.9
	low	CHF	313.5	321.5	304.0	213.3	165.7
	31/12	CHF	651.5	469.0	336.0	324.0	213.0
Distribution yield per registered share		%	0.5	0.7	0.8	0.7	0.9
Non-diluted core earnings per share (CHF) ^{3,7}	CHF		17.50	15.88	12.81	10.28	7.18
Diluted core earnings per share (CHF) ^{4,7}	CHF		16.90	15.48	12.49	9.97	7.04
Consolidated operating cash flow per registered share ³	CHF		26.4	15.1	25.4	21.3	14.7
Consolidated equity and reserves per registered share ³	CHF		168.5	160.6	162.7	169.3	170.0
P/E ratio (year-end) ⁵			39	30	27	32	30
Market capitalization at year-end ⁶	CHF million		2 724	1 940	1 363	1 342	826

¹ Repayment of par value, proposal to the general assembly of April 22, 2021.

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

³ Calculated on the basis of year-end share price and diluted EPS.

⁴ Calculated on the weighted average number of shares outstanding, deducting treasury shares.

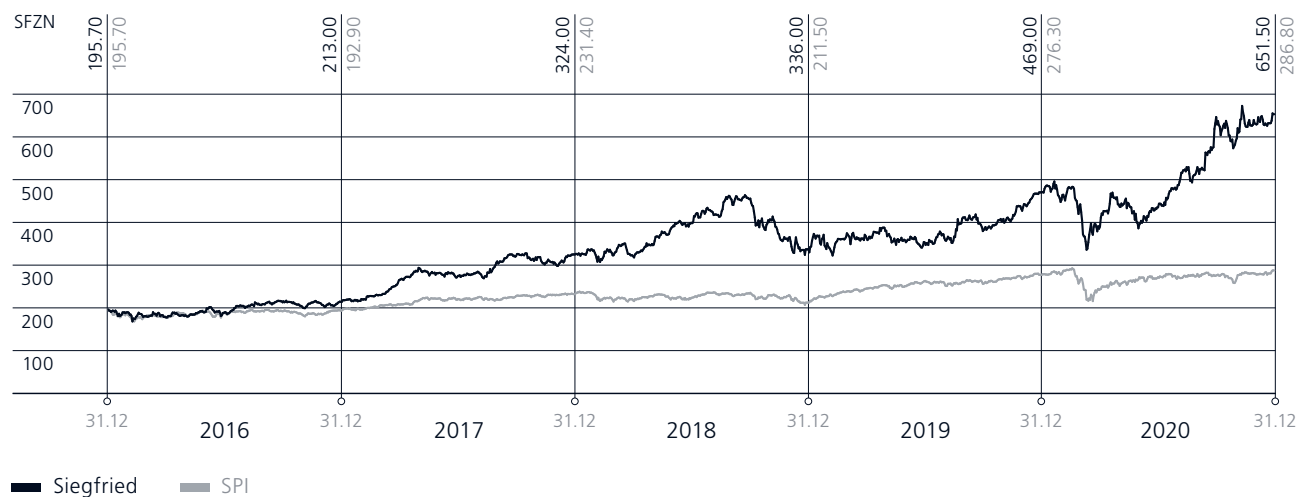
⁵ Adjustment for assumed exercise of share-based payments, where dilutive.

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

⁷ Core EPS upon 2018, prior years not adjusted.

Share Price Development

from January 1, 2016, to December 31, 2020



Shareholder Base

As of December 31, 2020, 5 898 shareholders were registered in the share registry of Siegfried Holding AG, representing a shareholding of 72.95.% of the total share capital.

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

Number of shareholders at December 31, 2020	Shareholders	Shares	%
1–10	888	6 032	0.14
11–100	3 539	160 596	3.69
101–1000	1 222	359 559	8.26
1001–10 000	210	663 964	15.26
10 001–100 000	30	645 045	14.83
100 001–1 000 000	9	1 338 721	30.77
	5 898	3 173 917	72.95
Treasury shares and non-registered shares	n.a.	1 177 083	27.05
Total shares		4 351 000	100.00

Shareholdings by segment as of December 31, 2020, was as follows:

Holdings by segment as of December 31, 2020	Shareholders	No. of shares per category	%
Significant shareholders (>3%)	7	1 093 331	25.13
Individuals	5 419	832 592	19.14
Institutional investors	472	1 247 994	28.68
Own shares and non-registered shares	–	1 177 083	27.05
Total shares	5 898	4 351 000	100.00

¹ According to SIX disclosure notifications; excluding own shares.

Cautionary Statement regarding Forward-Looking Statements

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

About this Annual Report

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

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

Scope

We report on the financial year ending 31 December 2020. The future-oriented topics dealt with in the report represent an exception. Siegfried’s Annual Report appears annually and was last published in March 2020, both in a printed version and as PDF on our corporate website. The next report will come out in the spring of 2022.

Governance

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

Principles of accounting

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

External validation

PricewaterhouseCoopers AG (PwC) as auditors reviewed Siegfried Holding AG’s Compensation Report (tables with remark “Audited”) for the financial year ending 31 December 2020 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 2020, the company will inform about

February 24, 2021

Publication of results for the 2020 business year at a media and analyst conference in Zurich

April 22, 2021

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

August 19, 2021

Publication of 2020 half-year financial results

Publisher's Note

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

This is an excerpt of Siegfried's Annual Report 2020. All chapters of Siegfried's Annual Report 2020 can be downloaded at report.siegfried.ch.

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Peter A. Gehler, Christa Brügger, Nathalie Häfliger, Miriam Anton

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The Siegfried Group is a leading supplier in the global CDMO market with production facilities in Switzerland, the USA, Malta, China, Germany, and France. Siegfried employs a workforce of around 2500 employees at nine sites in six countries. Siegfried Holding AG is headquartered in Zofingen (Switzerland) and is listed on the Swiss Exchange (SIX:SFZN).

**expect
more**

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