

Siegfried

Siegfried reports higher sales and further improved margin for first half year

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Globally Positioned Focused Profitable



Net Sales

377.2
million Swiss francs

The change compared to the last half-year report was +8.0%.

EBITDA

63.5
million Swiss francs

The change compared to the last half-year report was +20.1%.

Net Profit

30.5
million Swiss francs

The change compared to the last half-year report was +41.1%.

Siegfried Reports Higher Sales and Further Improved Margin for First Half Year

The Siegfried Group (SIX: SFZN) reports net sales for the first half of 2018 of 377.2 million francs (2017: 349.1 million francs), corresponding to a growth rate of 8.0% (5.2% in local currencies). Earnings before interest, taxes, depreciation and amortization (EBITDA) and before special effects grew by 20.1% to 63.5 million francs (2017: 52.9 million francs). EBITDA after special effects was stated as 62.0 million francs. The EBITDA margin rose by 1.6 percentage points to 16.8% (2017: 15.2%). Net profit before special effects increased by 41.1% to 30.5 million francs (2017: 21.6 million francs). Cash flow from operating activity rose by 89.5% to 35.6 million francs (2017: 18.8 million francs).

Siegfried CEO Rudolf Hanko: "As planned, Siegfried continued to deliver sales growth while increasing income and operating cash flow at an even higher rate. The EBITDA margin for the first half increased to 16.8%, which clearly indicates that we are well on track to reach our target margin. Experience has shown that the second half at Siegfried is stronger than the first. We therefore expect very good results for the entire year."

The company's headcount (fulltime equivalents) rose slightly. On 30 June 2018, the company employed a workforce of 2310 (FTE), compared with 2260 FTE at the end of 2017.

Earnings before interest, taxes, depreciation and amortization (EBITDA) of 63.5 million francs are before extraordinary expenses related to long-term structural adjustments to overheads at our Evionnaz site.

Earnings before interest and taxes (EBIT) grew faster than sales by 30.6% to 39.2 million francs (2017: 30.0 million francs). This corresponds to a margin of 10.4% or 1.8 percentage points above that reported the previous year. EBIT after special effects was stated as 37.7 million francs.

Consequently, net profit increased significantly to 30.5 million francs compared to 21.6 million francs the previous year. This corresponds to an undiluted net profit per share of 7.34 francs (2017: 5.56 francs) or a diluted net profit per share of 7.14 francs (2017: 5.10 francs), all amounts before special effects.

Strong sales of finished dosage forms

Sales of active pharmaceutical ingredients and intermediates grew, compared to the previous year, by approximately 15 million francs or 5.8% to 278.3 million francs. In terms of active pharmaceutical ingredients, a distinction is made between exclusive synthesis (exclusive production for one customer) and portfolio products/controlled substances (produced for various customers).

Key Figures 2018

	1st Half-Year 2018	1st Half-Year 2017	Change CHF (LC)
Net sales (million CHF)	377.2	349.1	8.0% (5.2%)
Gross profit (million CHF)	81.9	67.3	21.8%
Gross profit margin in %	21.7%	19.3%	
Results before special effects*			
EBITDA (million CHF)	63.5	52.9	20.1%
EBITDA margin in %	16.8%	15.2%	
EBIT (operating result) (million CHF)	39.2	30.0	30.6%
EBIT margin in %	10.4%	8.6%	
Net profit (million CHF)	30.5	21.6	41.1%
Net profit-margin in %	8.1%	6.2%	
Non-diluted earnings per share (CHF)	7.34	5.56	32.0%
Diluted earnings per share (CHF)	7.14	5.10	40.2%
Results after special effects			
EBITDA (million CHF)	62.0	52.9	17.2%
EBITDA margin in %	16.4%	15.2%	
EBIT (operating result) (million CHF)	37.7	30.0	25.5%
EBIT margin in %	10.0%	8.6%	
Net profit (million CHF)	29.3	21.6	35.5%
Net profit-margin in %	7.8%	6.2%	
Non-diluted earnings per share (CHF)	7.05	5.56	26.8%
Diluted earnings per share (CHF)	6.86	5.10	34.6%
Cash flow from operating activities (million CHF)	35.6	18.8	89.5%
Free cash flow (million CHF)	5.1	-3.6	
Investment in property, plant and equipment and intangible assets (million CHF)	30.5	22.7	34.3%
Balance Sheet			
	June 30, 2018	December 31, 2017	Change
Equity (million CHF)	707.6	673.4	5.1%
Total assets (million CHF)	1 095.0	1 068.6	2.5%
Equity ratio in %	64.6%	63.0%	
Employees (number of FTEs)	2 310	2 260	2.2%

* Restructuring costs Evionnaz

Sales of finished dosage forms, especially the sterile filling business, grew strongly by about 13 million to 98.9 million francs, corresponding to a growth of 14.7%. About three quarters of Siegfried's current sales refer to active pharmaceutical ingredients and intermediates and about one quarter to finished dosage forms, consisting of sterile filling and solid dosage forms (tablets and capsules).

Integration of Arena production site completed

As per 1 April 2018, Siegfried acquired a production plant in Zofingen from the company Arena Pharmaceuticals based in San Diego, California. Already prior to the acquisition, the plant produced mainly for Siegfried. Integration of the plant was completed in the period under review.

Extension in Nantong and Zofingen at final stage

Taking into operation of the plant in Nantong is proceeding according to schedule. An initial inspection by the FDA, the US regulatory authority, is currently under preparation; Siegfried expects the inspection to be carried out in the first half of 2019. Utilization of the new production building in Zofingen is growing continually. The construction of a new logistics building in Zofingen is progressing according to plan. The building will be ready for occupancy from end third quarter 2018. Investment in some 40 new laboratory workplaces is continuing as scheduled; the workplaces will be ready in the fourth quarter 2018.

Investments in sterile filling

At the Hameln site, Siegfried is investing in new laboratory installations connected with the filling of biologically produced substances. In Irvine, the enlargement of the available floor space and the subsequent installation of additional capacity and capabilities was completed in the first half of the year.

Outlook on 2018 sales

Siegfried expects business development to remain positive. Historically, the second half of the year has been stronger in terms of sales, and this trend is expected to continue in 2018. Siegfried expects for the full year 2018 sales growth in the mid-to-high single-digit percentage range at a distinctly higher operating margin (EBITDA).

Consolidated Income Statement

In 1000 CHF	1st Half-Year 2018	1st Half-Year 2017
Net sales	377 215	349 148
Cost of goods sold	-295 272	-281 848
Gross profit	81 943	67 300
Marketing and sales costs	-8 437	-8 542
Research and development costs	-13 700	-13 355
Administration and general overhead costs	-24 543	-18 793
Other operating income	2 429	3 411
Share of results of associated companies	-11	-7
Operating result	37 681	30 014
Financial income	27	16
Financial expenses	-2 647	-3 812
Exchange rate differences	-625	-1 776
Profit before income taxes	34 436	24 442
Income taxes	-5 098	-2 798
Net profit	29 338	21 644
Non-diluted earnings per share (CHF)	7.05	5.56
Diluted earnings per share (CHF)	6.86	5.10

Consolidated Balance Sheet

In 1000 CHF	June 30, 2018	December 31, 2017
Assets		
Non-current assets		
Property, plant and equipment	521 964	500 209
Intangible assets	10 475	9 425
Investments in associated companies and joint ventures	463	475
Financial and other non-current assets	3 486	3 483
Employer contribution reserves	9 043	9 222
Deferred tax assets	31 905	32 246
Total non-current assets	577 336	555 060
Current assets		
Inventories	251 729	248 294
Trade receivables	197 139	189 160
Other current assets	36 459	35 403
Accrued income and prepaid expenses	9 157	6 034
Current income taxes	54	192
Securities	30	30
Derivative financial instruments	-	296
Cash	23 070	34 137
Total current assets	517 638	513 546
Total assets	1 094 974	1 068 606
Liabilities and equity		
Equity		
Share capital	8 514	8 422
Treasury shares	-13 699	-21 601
Capital reserves	79 943	74 193
Hybrid capital	255 985	255 985
Retained earnings	376 838	356 385
Total equity	707 581	673 384
Non-current liabilities		
Non-current financial liabilities	80 000	100 000
Non-current provisions	33 180	16 951
Deferred tax liabilities	6 472	6 948
Other non-current liabilities	1 372	1 392
Non-current pension liabilities	121 210	122 201
Total non-current liabilities	242 234	247 492
Current liabilities		
Trade payables	51 272	71 316
Other current liabilities	34 601	24 120
Accrued expenses and deferred income	46 036	44 874
Other current financial liabilities	6 000	-
Derivative financial instruments	332	97
Current pension liabilities	252	406
Current provisions	6 666	6 917
Total current liabilities	145 159	147 730
Total liabilities	387 393	395 222
Total liabilities and equity	1 094 974	1 068 606

Key Figures

EBITDA

63.5

EBITDA amounts to 63.5 million Swiss francs (2017: 52.9 million francs).

EBIT

39.2

The operating result (EBIT) amounts to 39.2 million Swiss francs (2017: 30.0 million francs).

EBITDA

EBITDA grew by 20.1%.

EBIT

EBIT grew by 30.6%.

EBITDA margin

16.8%

EBITDA margin grew by 1.6 percentage points and resulted in 16.8% (2017: 15.2%).

EBIT margin

10.4%

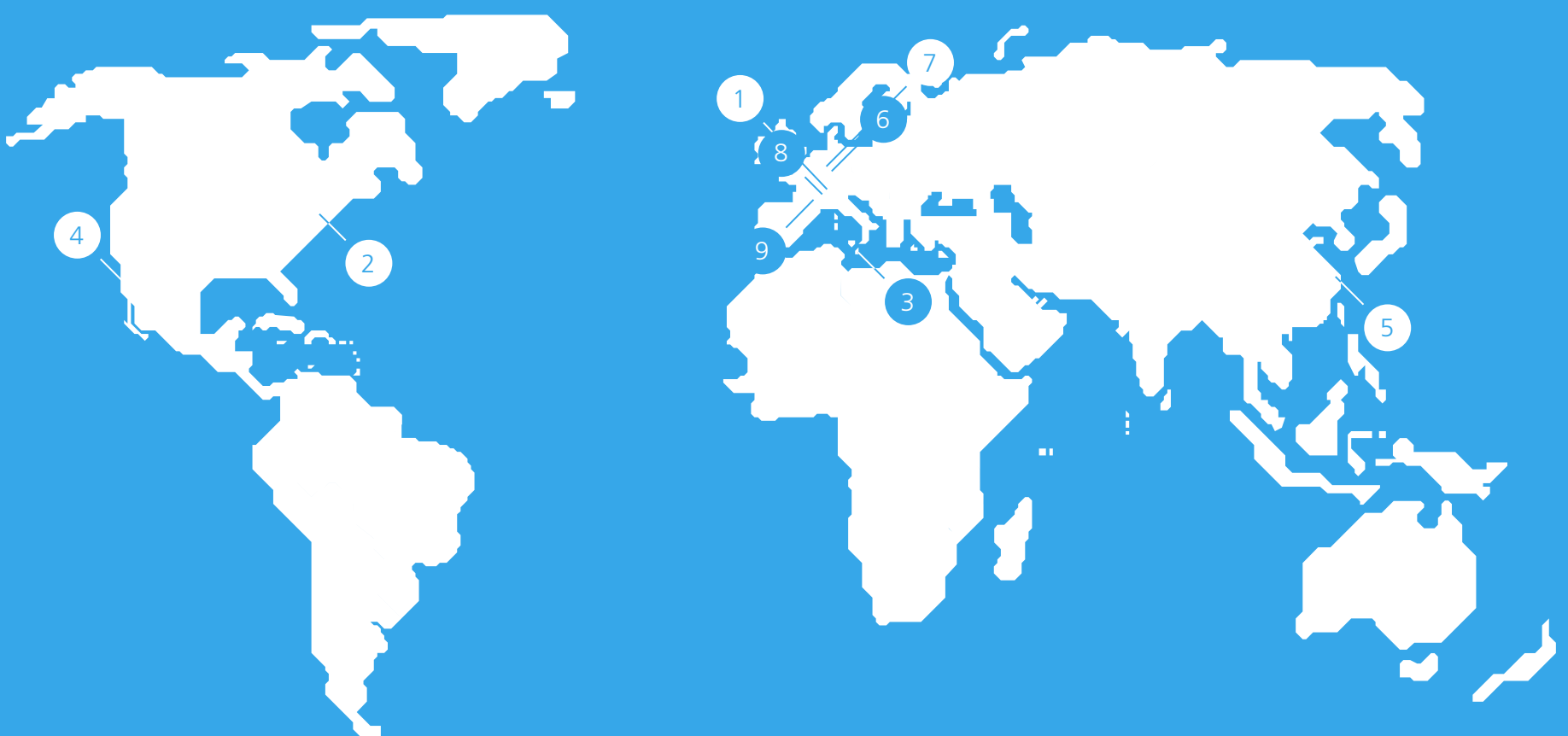
EBIT margin grew by 1.8 percentage points and resulted in 10.4% (2017: 8.6%).

“2018 is going to be another year of growth for us.”

Dr. Rudolf Hanko
Chief Executive Officer

Siegfried Worldwide

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



Locations

1 Zofingen
2 Pennsville
3 Hal Far

4 Irvine
5 Nantong
6 Hameln

7 Minden
8 Evionnaz
9 St. Vulbas

Condensed Consolidated Statement of Cash Flows

In 1000 CHF	1st Half-Year 2018	1st Half-Year 2017
Net profit	29 338	21 644
Depreciation and impairment of PP&E and intangible assets	24 325	22 891
Financial result	3 245	5 572
Other non-cash items	10 530	1 969
Cash flow from operating activities before change in net current assets	67 438	52 076
Change in net current assets and other items	-31 867	-33 308
Cash flow from operating activities	35 571	18 768
Purchase of property, plant and equipment and intangible assets	-30 487	-22 706
Other cash flow from investing activities	-4 673	308
Cash flow from investing activities	-35 160	-22 398
Capital increase	2 025	1 371
Increase / decrease in financial liabilities	-14 000	9 025
Change in other non-current liabilities	-144	-440
Purchase/disposal of treasury shares, net	12 276	1 314
Interest paid and bank charges	-1 691	-2 181
Dividend to the shareholders of Siegfried Holding AG	-9 964	-7 831
Cash flow from financing activities	-11 498	1 258
Net change in cash and cash equivalents	-11 087	-2 372
Cash and cash equivalents 1/1/	34 137	31 636
Net effect of exchange rate changes on cash	20	-369
Cash at the end of the period	23 070	28 895

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	Cumulative translation adjustments ¹	Total equity
As of January 1, 2018	8 422	-21 601	74 193	255 985	901	579 230	-159 200	-64 546	673 384
Net profit	-	-	-	-	-	29 338	-	-	29 338
Dividends	-	-	-9 964	-	-	-	-	-	-9 964
Interest on Hybrid capital	-	-	-	-	-	-3 450	-	-	-3 450
Changes in financial instruments	-	-	-	-	-1 086	-	-	-	-1 085
Employee share plan	-	-	-	-	-	-8 315	-	-	-8 315
Change in treasury shares	-	7 902	-	-	-	4 373	-	-	12 275
Capital increase	92	-	15 714	-	-	-	-	-	15 806
Currency translation differences	-	-	-	-	-	-	-	-407	-407
As of June 30, 2018	8 514	-13 699	79 943	255 985	-185	601 176	-159 200	-64 953	707 581
As of January 1, 2017	8 333	-51 787	75 699	315 985	161	537 898	-159 200	-66 353	660 736
Net profit	-	-	-	-	-	21 644	-	-	21 644
Dividends	-	-	-7 831	-	-	-	-	-	-7 831
Interest on Hybrid capital	-	-	-	-	-	-4 200	-	-	-4 200
Changes in financial instruments	-	-	-	-	1 055	-	-	-	1 055
Employee share plan	-	-	-	-	-	-3 550	-	-	-3 550
Change in treasury shares	-	-2 300	-	-	-	3 574	-	-	1 275
Capital increase	89	-	7 859	-	-	-	-	-	7 948
Currency translation differences	-	-	-	-	-	-	-	-8 730	-8 730
As of June 30, 2017	8 422	-54 087	75 727	315 985	1 217	555 366	-159 200	-75 083	668 347

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

Through the creation of new shares from conditional capital for the distribution of shares for participation plans the share capital of Siegfried Holding AG has increased from CHF 8.42 million to CHF 8.51 million. This total is divided into 4 256 749 registered shares each with a nominal value of CHF 2 (2017: 4 210 915 registered shares).

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

Notes to the Financial Report

1. Accounting Principles

Scope of consolidation

This Half-Year Report includes the unaudited half-year consolidated financial statements of Siegfried Holding AG, which is domiciled in Switzerland, and its subsidiaries for the reporting period ended 30 June 2018 (1st half-year 2018). The half-year consolidated financial statements have been drawn up in accordance with Swiss GAAP FER 31 and should be read in conjunction with the Consolidated Financial Statements for the financial year ended 31 December 2017. The Group prepares its accounts in compliance with all existing guidelines of Swiss GAAP FER (Swiss Accounting and Reporting Recommendations). The accounting principles are set out in detail in the Annual Report 2017 of the Siegfried Group. The half-year consolidated financial statements were approved by the Board of Directors on 17 August 2018.

Information about the Group

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

2. Most Important Currency Translation Rates

Balance Sheet

Closing rates	June 30, 2018	December 31, 2017
1 USD	0.992	0.982
1 EUR	1.157	1.172
100 RMB	14.992	15.027

Income Statement

Average rates	1st Half-Year 2018	1st Half-Year 2017
1 USD	0.967	0.995
1 EUR	1.170	1.077
100 RMB	15.180	14.470

3. Scope of Consolidation

Effective 22 February 2018, Siegfried Pharma AG was incorporated. It is a 100% subsidiary of Siegfried Holding AG.

4. Acquisitions

Effective 31 March 2018, the Siegfried Group acquired a production plant for finished dosage forms (tablets and capsules) including all employees and business contracts from Arena Pharmaceuticals GmbH, Zofingen, for the purchase price of CHF 4.8 million in cash.

5. Share-Based Payments

In the first half-year of 2018, 45 834 shares were created from conditional capital. They were utilized for the allocation of shares for the vesting period (2015–2017) of the Long Term Incentive Plan (LTIP) and the shares acquired by the employees under the Employee Share Purchase Plan (ESPP).

6. Seasonality

The operating results are subject to fluctuations that are not seasonable in nature.

7. Contingent Liabilities

In comparison with the contingent liabilities at 31 December 2017, there have been no changes in the period under review.

8. Segment Information

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.

Net sales by product group

In CHF million	1st Half-Year 2018	1st Half-Year 2017
Drug Substances	278.3	262.9
Drug Products	98.9	86.2
Total	377.2	349.1

9. Events after the Balance Sheet Date

There are no significant events after the balance sheet date.

Cautionary Statement regarding Forward-Looking Statements

This Half-Year Report contains certain forward-looking statements identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Various factors may cause actual results to differ materially in the future from those reflected in forwardlooking statements contained in this Annual Report, among others: (1) pricing and product initiatives of competitors; (2) legislative and regulatory developments and economic conditions; (3) delay or inability in obtaining regulatory approvals or bringing products to market; (4) fluctuations in currency exchange rates and general financial market conditions; (5) uncertainties in the discovery, development or marketing of new products or new uses of existing products, including without limitation negative results of clinical trials or research projects, unexpected side-effects of pipeline or marketed products; (6) increased government pricing pressures; (7) interruptions in production; (8) loss of or inability to obtain adequate protection for intellectual property rights; (9) litigation; (10) loss of key executives or other employees; and (11) adverse publicity and news coverage.

The statement regarding earnings per share growth is not a profit forecast and should not be interpreted to mean that Siegfried's earnings or earnings per share for 2018 or any subsequent period will necessarily match or exceed the historical published earnings or earnings per share of Siegfried.

Publisher's Note

This Half-Year Report is also available in German, being the original version.

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Concept, layout, realization

Hej GmbH, Zurich

Publishing system

ns.publish by mms solutions AG, Zurich

Realization and Prepress

NeidhartSchön AG, Zurich

Print

ZT Medien AG, Zofingen

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Share Information

			2018	2017	2016	2015	2014
Market prices registered share	high	CHF	403.5	327.0	216.9	206.2	171.0
	low	CHF	304.0	213.3	165.7	139.5	139.0
Year-end (2018: 30.06.)		CHF	396.5	324.0	213.0	195.7	162.0

**expect
more**

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The Siegfried Group is a global life sciences company with production facilities located in Switzerland, the USA, Malta, China, Germany and France. Siegfried employs about 2300 people (FTE) in six countries. Headquartered in Zofingen (Switzerland), the Siegfried Holding AG is listed on the Swiss Stock Exchange (SIX: SFZN).

We offer customized solutions for services in the production of active pharmaceutical ingredients, intermediates and complex dosage forms (including sterile filling) as well as products from our portfolio.

Siegfried share price development
31 December 2017 – 30 June 2018
in Swiss Francs (CHF)

31 December 2017
CHF 324.0

30 June 2018
CHF 396.5

Share Price Dec 2017

324.0
CHF

Siegfried share
as of 31 December 2017

Share Price June 2018

396.5
CHF

Siegfried share
as of 30 June 2018

Increase

22.4
%

Change
Period 31 December 2017 – 30 June 2018