

Siegfried

Siegfried Increases Sales and Earnings
in First Half 2019

Half-Year Reporting – Page 2

On Track to Success as a Global Team



Net Sales

393.9
million Swiss francs

The change compared to
last year is +4.4%.

Core EBITDA

66.3
million Swiss francs

The change compared to
last year is +4.3%.

Net Profit

31.0
million Swiss francs

The change compared to
last year is +5.5%.

On Track: Siegfried Increases Sales and Earnings in First Half 2019

The Siegfried Group (SIX: SFZN) reports robust results for the 2019 half-year. Net sales rose to 393.9 million Swiss francs, from 377.2 million Swiss francs for the prior period, corresponding to a growth of 4.4 percent in Swiss francs and 5.8 percent in local currencies. Core EBITDA grew by 4.3 percent to 66.3 million Swiss francs at a margin of 16.8 percent (2018: 63.5 million Swiss francs at also 16.8%). Core EBIT grew faster than sales by 7.2 percent to 42.0 million Swiss francs (2018: 39.2 million Swiss francs). Net profit of 31.0 million Swiss francs is slightly above that of the previous year (2018: 29.3 million Swiss francs). Operating cash flow increased by 16.7 percent to 41.5 million Swiss francs, free cash flow grew by 14.7 million Swiss francs (2018: 5.1 million Swiss francs).

Siegfried CEO Wolfgang Wienand: "Our ambition was and continues to be robust profitable growth, which we achieved in the first half-year 2019. The Core EBITDA margin grew compared to the 2018 financial year to 16.8 percent and is developing in the right direction. Strong operating cash flow as well as the disproportionate increase in free cash flow are positive. As in the past, we expect that the second half-year will be stronger than the first. We are well on track toward a successful financial year 2019."

Undiluted earnings per share were 7.47 francs (2018: 7.05 francs), and diluted earnings per share amounted to 7.29 francs (2018: 6.86 francs).

The company's workforce grew by 1.6 percent to 2347 full-time equivalents on 30 June 2019, compared with 2310 on 30 June 2018.

Sales of drug substances and intermediates with significant growth

In the first half-year, Siegfried achieved approximately three quarters of its sales with drug substances and intermediates and approximately one quarter with drug products consisting of sterile liquid (vials, ampules, cartridges) and solid (tablets and capsules) dosage forms.

Sales of drug substances and intermediates grew by 7.5 percent compared to the previous year. The result includes sales of exclusive products and portfolio products to various customers. While sales of drug products were reported slightly below those of the comparable period of the previous year, they also show robust growth across a longer period of time, namely a CAGR of 7.8 percent when comparing first half 2019 with first half 2015. For the full year, Siegfried expects growth in drug product sales compared to the previous year, too.

Key Figures 2019

	1 st Half-Year 2019	1 st Half-Year 2018 ¹	Change CHF
Net sales (million CHF)	393.9	377.2	4.4% (5.8% in LC)
Gross profit (million CHF)	92.4	81.9	12.8%
Gross profit margin (in %)	23.5%	21.7%	
Core Results²			
Core EBITDA (million CHF)	66.3	63.5	4.3%
Core EBITDA margin (in %)	16.8%	16.8%	
Core EBIT (operating result) (million CHF)	42.0	39.2	7.2%
Core EBIT margin (in %)	10.7%	10.4%	
Results			
EBITDA (million CHF)	65.2	61.0	6.9%
EBITDA margin (in %)	16.6%	16.2%	
EBIT (operating result) (million CHF)	41.0	36.7	11.9%
EBIT margin (in %)	10.4%	9.7%	
Net profit (million CHF)	31.0	29.3	5.5%
Net profit-margin (in %)	7.9%	7.8%	
Non-diluted earnings per share (CHF)	7.47	7.05	6.0%
Diluted earnings per share (CHF)	7.29	6.86	6.2%
Cash flow from operating activities (million CHF)	41.5	35.6	16.7%
Free cash flow (million CHF)	14.7	5.1	188%
Investment in property, plant and equipment and intangible assets (million CHF)	26.9	30.5	-11.8%
	June 30, 2019	December 31, 2018	Change
Equity (million CHF)	701.7	678.8	3.4%
Total assets (million CHF)	1 106.6	1 103.1	0.3%
Equity ratio (in %)	63.4%	61.5%	1.9%
Employees (number of FTEs)	2 347	2 294	2.3%

¹ Restatement employee benefits see accounting policies.

² Core results exclude costs for restructuring, impairment and integration. Furthermore, in terms of core result figures, interest effects from liabilities concerning foreign pension plans are reclassified to financial results. In the first half of 2019, there were no costs for restructuring, impairment and integration (previous year: restructuring in Evionnaz amounting to 1.5 million francs). Reclassification of interest effects resulting from pension liabilities to financial results amounted to 1.0 million francs, as in the previous year.

Successful completion of FDA audits confirms Siegfried's high quality standards

In addition to numerous international authorities and customers, the US regulatory authority FDA (Food and Drug Administration) audited Siegfried's Minden, Irvine, Evionnaz and Zofingen sites. All inspections were successful. As a result, Siegfried continued to prove that its services and production facilities meet the highest quality standards. This is decisive in our aim to successfully operate as a long-term strategic partner of the pharmaceutical industry.

The Nantong (China) site has recently also been audited by the US regulatory authority FDA. The inspection went very well, and Siegfried therefore expects the import permit for the United States to be issued in the coming months. Thus, the Nantong site reached a significant milestone and it will further develop into an important part of Siegfried's network.

Siegfried continues to invest in its network

Besides targeted investments at almost all sites, a new drug substance production plant has been completed at the St. Vulbas site in June and is now being taken into operation. In the same month, new development laboratories became available at the Hameln site after less than a year of construction time. The laboratories will provide formulation development services to customers and thus strengthen acquisition of new business in the field of sterile drug products, including aseptic filling of biologics. Siegfried expects attractive growth in this segment in the coming years. In addition to investments in tangible fixed assets, Siegfried's focus will remain on increasing operational performance and strengthening internal technological competencies.

Outlook on 2019 financial year confirmed

Siegfried continues to expect sales growth for the entire 2019 financial year in at least the mid-single digit percentage range (at unchanged exchange rates) and corresponding improvement of the operating margin (Core EBITDA).

Core results exclude costs for restructuring, impairment and integration. Furthermore, in terms of core result figures, interest effects from liabilities concerning foreign pension plans are reclassified to financial results. In the first half of 2019, there were no costs for restructuring, impairment and integration (previous year: restructuring in Evionnaz amounting to 1.5 million francs). Reclassification of interest effects resulting from pension liabilities to financial results amounted to 1.1 million francs, as in the previous year.

Consolidated Income Statement

In 1000 CHF	1 st Half-Year 2019	1 st Half-Year 2018 ¹
Net sales	393 944	377 215
Cost of goods sold	-301 518	-295 272
Gross profit	92 426	81 943
Marketing and sales costs	-8 877	-8 437
Research and development costs	-20 192	-13 700
Administration and general overhead costs	-24 612	-25 550
Other operating income	2 291	2 429
Share of results of associated companies	-5	-11
Operating result	41 031	36 674
Financial income	18	27
Financial expenses	-1 520	-1 640
Exchange rate differences	-665	-625
Profit before income taxes	38 864	34 436
Income taxes	-7 898	-5 098
Net profit	30 965	29 338
Non-diluted earnings per share (CHF)	7.47	7.05
Diluted earnings per share (CHF)	7.29	6.86

¹ Restatement employee benefits see accounting policies.

Consolidated Balance Sheet

In 1000 CHF	June 30, 2019	December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	518 756	520 597
Intangible assets	9 846	10 625
Investments in associated companies and joint ventures	408	416
Financial and other non-current assets	579	579
Employer contribution reserves	8 780	8 617
Deferred tax assets	28 562	28 402
Total non-current assets	566 931	569 236
Current assets		
Inventories	293 626	227 546
Trade receivables	171 153	217 009
Other current assets	40 146	38 566
Accrued income and prepaid expenses	8 847	6 373
Current income taxes	3 883	3 992
Securities	30	30
Derivative financial instruments	-	477
Cash	22 010	39 880
Total current assets	539 695	533 873
Total assets	1 106 626	1 103 109
Liabilities and equity		
Equity		
Share capital	116 262	8 514
Treasury shares	-50 564	-56 139
Capital reserves	30 574	79 668
Hybrid capital	255 985	255 985
Retained earnings	349 457	390 749
Total equity	701 714	678 777
Non-current liabilities		
Non-current financial liabilities	85 000	110 000
Non-current provisions	29 024	28 917
Deferred tax liabilities	11 378	8 559
Other non-current liabilities	1 544	1 576
Non-current pension liabilities	122 556	123 986
Total non-current liabilities	249 502	273 038
Current liabilities		
Trade payables	60 404	69 344
Other current liabilities	36 899	31 887
Accrued expenses and deferred income	44 791	34 548
Derivative financial instruments	231	-
Current pension liabilities	242	499
Current provisions	10 200	10 598
Current income tax liabilities	2 643	4 418
Total current liabilities	155 410	151 294
Total liabilities	404 912	424 332
Total liabilities and equity	1 106 626	1 103 109

“We are well on track toward a successful financial year 2019.”

Dr. Wolfgang Wienand
Chief Executive Officer

Key Figures

Net Sales in CHF

393.9 mio.

The change compared to the last year is +4.4% (+5.8% in LC).

Core EBITDA

66.3

Core EBITDA amounts to 66.3 million Swiss francs (2018: 63.5 million francs).

Core EBIT

42.0

The operating result (Core EBIT) amounts to 42.0 million Swiss francs (2018: 39.2 million francs).

Core EBITDA

Core EBITDA
grew by
4.3%.

Core EBIT

Core EBIT
grew by
7.2%.

Core EBITDA margin

16.8%

Core EBITDA margin remained unchanged at 16.8%.

Core EBIT margin

10.7%

Core EBIT margin grew by 0.3 percentage points and resulted in 10.7% (2018: 10.4%).

Consolidated Statement of Cash Flows

In 1000 CHF	1 st Half-Year 2019	1 st Half-Year 2018 ¹
Net profit	30 965	29 338
Depreciation and impairment of PP&E and intangible assets	24 204	24 325
Financial result	2 167	2 238
Other non-cash items	15 203	11 537
Cash flow from operating activities before change in net current assets	72 539	67 438
Change in net current assets and other items	-31 022	-31 867
Cash flow from operating activities	41 517	35 571
Purchase/proceeds of property, plant and equipment and intangible assets	-26 844	-30 431
Other cash flow from investing activities	15	-4 729
Cash flow from investing activities	-26 829	-35 160
Free cash flow²	14 673	5 140
Capital increase	800	2 025
Increase in financial liabilities	-25 000	-14 000
Change in other non-current liabilities	-30	-144
Purchase/disposal of treasury shares, net	3 509	12 276
Interest paid and bank charges	-1 482	-1 691
Distribution to the shareholders of Siegfried Holding AG	-10 793	-9 964
Cash flow from financing activities	-32 996	-11 498
Net change in cash and cash equivalents	-18 308	-11 087
Cash and cash equivalents 1/1/	39 880	34 137
Net effect of exchange rate changes on cash	438	20
Cash and cash equivalents at the end of the period	22 010	23 070

¹ Restatement employee benefits see accounting policies.

² Calculation Free Cashflow: Operating Cashflows +/- Investment in PPE +/- Investment in Intangible Assets.

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, 2019	8 514	-56 139	79 668	255 985	-523	623 324	-159 200	-72 852	678 777
Net profit	-	-	-	-	-	30 965	-	-	30 965
Distribution from reserves from capital contribution	-	-	-10 793	-	-	-	-	-	-10 793
Interest on hybrid capital	-	-	-	-	-	-3 450	-	-	-3 450
Changes in financial instruments	-	-	-	-	-422	-	-	-	-422
Employee share plan	-	-	-	-	-	-11 738	-	-	-11 738
Change in treasury shares	-	5 575	-	-	-	-2 065	-	-	3 509
Capital increase	249	-	25 203	-	-	-	-	-	25 452
Changes in reserves from capital contribution	107 500	-	-63 504	-	-	-43 996	-	-	-
Currency translation differences	-	-	-	-	-	-	-	-10 586	-10 586
As of June 30, 2019	116 262	-50 564	30 574	255 985	-945	593 040	-159 200	-83 438	701 714
As of January 1, 2018²	8 422	-21 601	74 193	255 985	901	574 131	-159 200	-65 043	667 787
Net profit	-	-	-	-	-	29 338	-	-	29 338
Distribution from reserves from capital contribution	-	-	-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	-	-	-	-	-	-	-	-335	-335
As of June 30, 2018	8 514	-13 699	79 943	255 985	-185	596 077	-159 200	-65 378	702 057

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

² Restatement employee benefits see accounting policies.

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 by CHF 0.25 million to CHF 8.76 million.

In addition, the par value per share of CHF 2 to CHF 27 each was increased by converting capital contribution reserves into share capital of CHF 107.5 million. This resulted in a new share capital at period-end of total CHF 116.3 million.

The share capital is divided into 4 306 000 registered shares with a par value of CHF 27 each (2018: 4 256 749 registered shares with a par value of CHF 2 each).

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

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 2019 (1st half-year 2019). 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 2018. 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 2018 of the Siegfried Group. The half-year consolidated financial statements were approved by the Board of Directors on 19 August 2019.

In the financial statements for 2018, a restatement was made in connection with the interest-related effects on earnings of foreign pension plans. The figures were adjusted in the same way in the first half of 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, 2019	December 31, 2018
1 USD	0.976	0.984
1 EUR	1.111	1.127
100 RMB	14.203	14.310

Income Statement

Average rates	1 st Half-Year 2019	1 st Half-Year 2018
1 USD	1.000	0.967
1 EUR	1.129	1.170
100 RMB	14.735	15.180

3. Scope of Consolidation

The scope of consolidation remained unchanged in the first half-year 2019.

4. Acquisitions

In the 1st half-year 2019 there was no acquisition. In prior year Siegfried Group acquired a production plant for finished dosage forms (tablets and capsules) including all employees and contracts from Arena Pharmaceuticals GmbH, Zofingen, for the purchase price of CHF 4.8 million in cash.

5. Share-Based Payments

In the 1st half-year of 2019, 49 251 shares were created from conditional capital. They were utilized for the allocation of shares for the vesting period (2016–2018) 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 2018, 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	1 st Half-Year 2019	1 st Half-Year 2018
Drug Substances	299.1	278.3
Drug Products	94.8	98.9
Total	393.9	377.2

9. Income Taxes

The tax effects of the implementation of the TRAF17 can not yet be estimated.

10. 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 2019 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.

Editor

Peter A. Gehler, Christa Brügger,
Nathalie Häfliger

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Siegfried Holding AG
Untere Bruehlstrasse 4
CH-4800 Zofingen
Switzerland
Phone + 41 62 746 11 11

www.siegfried.ch

Share Information

			2019	2018	2017	2016	2015
Market prices registered share	high	CHF	388.5	469.5	327.0	216.9	206.2
	low	CHF	318.0	304.0	213.3	165.7	139.5
Year-end (2019: until 30/6/)		CHF	340.0	336.0	324.0	213.0	195.7

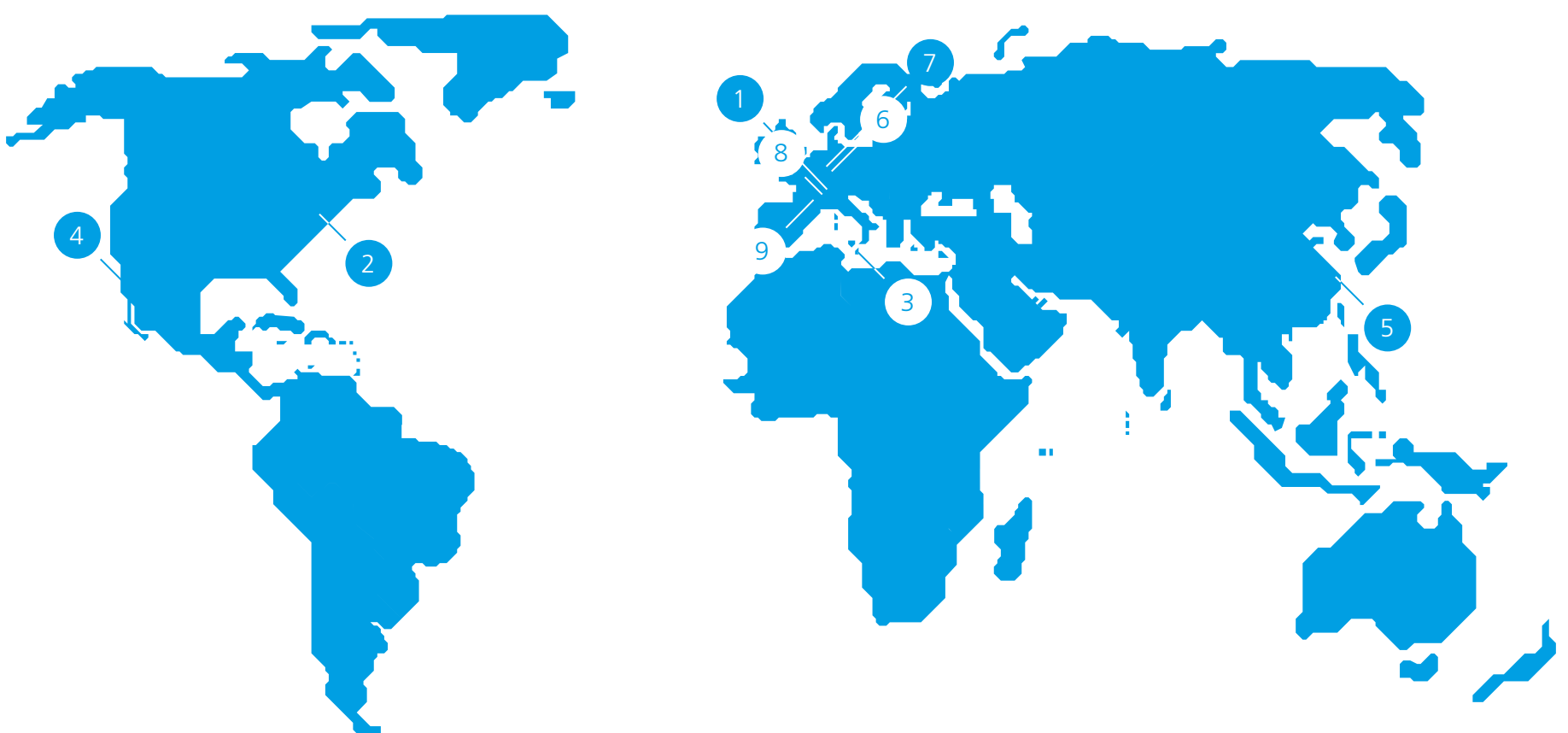
The Siegfried Group is a global life sciences company with production facilities located in Switzerland, the USA, Germany, France, Malta and China. Siegfried employs about 2350 people (FTE) worldwide. Headquartered in Zofingen (Switzerland), Siegfried Holding AG is listed on the Swiss Stock Exchange (SIX: SFZN).

**expect
more**

Siegfried Holding AG
Untere Bruehlstrasse 4
CH-4800 Zofingen

www.siegfried.ch

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



Locations

- 1 Zofingen
- 2 Pennsville
- 3 Hal Far

- 4 Irvine
- 5 Nantong
- 6 Hameln

- 7 Minden
- 8 Evionnaz
- 9 St. Vulbas