Siegfried – Results H1 2010

Media/Analyst Conference

Zofingen, August 31, 2010

Siegfried Group
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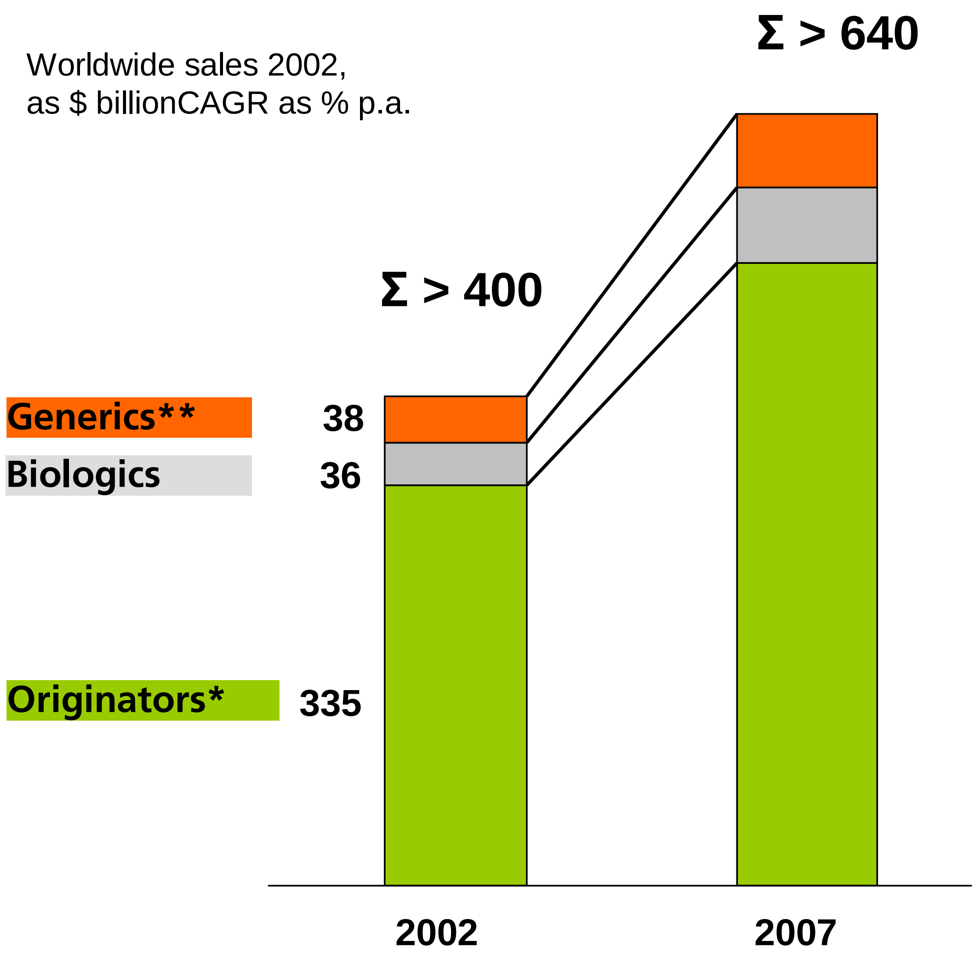
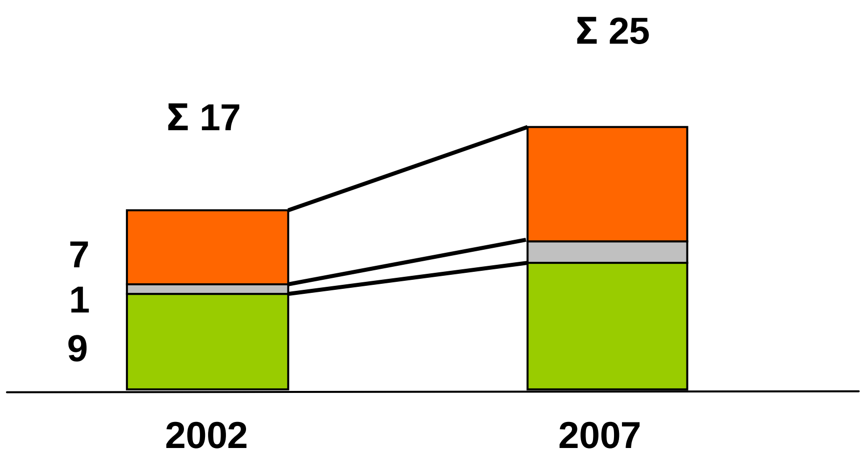
1. Strategy
2. Highlights 1st half year 2010
3. Facts and figures

Customer markets

Worldwide sales 2002,
as $ billionCAGR as % p.a.



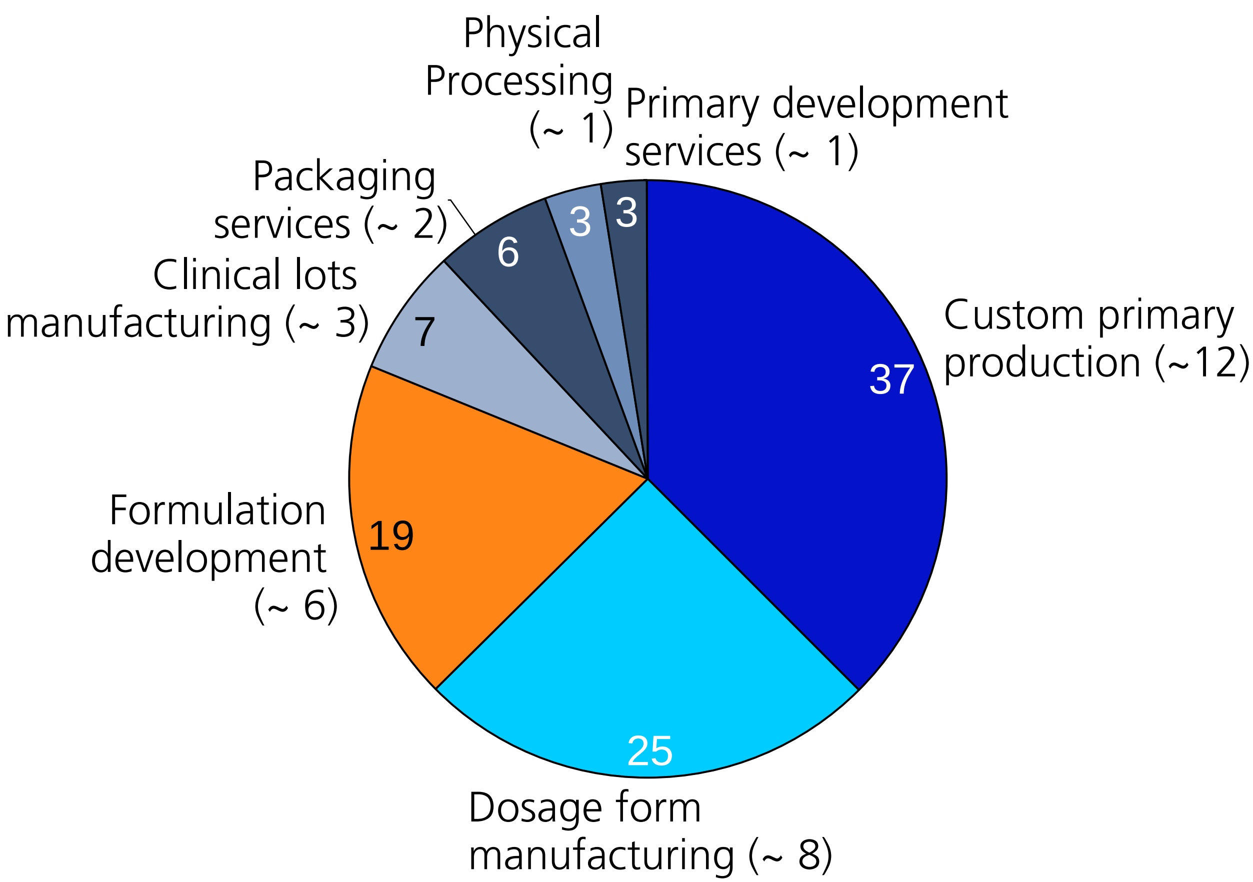
Merchant exclusive synthesis markets



* Including only APIs and advanced intermediates; ** Including biogenerics; Source:
IMS, Sandoz/Novartis, Evaluate Pharma, Rabo Securities, PhRMA, Peter Pollak, Datamonitor, BCC, Phillips McDougall, McKinsey analysis

More than 40% of the CMO market is dedicated to formulation

Breakdown of Business Insight estimate, 2006
Percent, (USD billions)



SOURCE: Business Insight

Strategic cornerstones

- Backintegration into Asia
  Cost averaging with lower factor cost of Asian hub is key both to defend business at the end of the lifecycle and to reach sustainable competitiveness in the early stages.

- Reach critical size
  Ca 50cbm idle API capacity is key to win large attractive offers

- Develop USP
  Integration of primary (API) and secondary (DP) manufacturing is a unique segment for Siegfried to differentiate.

Market considerations

- Outsourcing to CMOs is often very cost effective; however, logistics and retesting costs substantially reduce the cost advantage especially at the interface of primary and secondary manufacturing.. Combining API synthesis and formulation may be the optimal solution for certain products
- Integrating primary and secondary custom manufacturing offers substantial synergies in cases where processing steps can be saved (e.g., lyophilization)
- Openness of pharmaceutical companies to outsource secondary manufacturing has increased recently – 5 years ago most pharmacos did not consider primary and secondary custom manufacturing from a holistic perspective (source: Mc Kinsey)

Approach to classify potentially interesting API/formulation combinations that would result in synergies from a "one-stop shop"

Steps that could be saved by integrating API and formulation manufacturing

Last step in API synthesis	Type of formulation: Oral solid	Sust. release	Injectable: Liquid vials	Injectable: Lyoph. vials	Injectable: Am-poules	Injectable: Prefilled syringe	Inhaler	Patch
– Crystallization/ drying	✗	✓	✓	✗	✓	✓	✗	✓
– Lyophilization	✗	✓	✓	✓	?	?	✗	✓
– Spray-drying	✗	✓	✓	✗	✓	✓	✗	✓
– Sublimation	✗	?	✗	✗	✗	✗	✗	✗
– Chromatography	✗	✗	?	✗	?	?	✗	✗
– Distillation	✗	✗	?	✗	?	?	✗	✗
– Precipitation	✗	✗	✗	✗	✗	✗	✗	✗
– Sterile filtration	✗	✗	✓	✗	✓	✓	✗	✗
– Micronization	✗	?	✗	✗	✗	✗	✓	✗

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- **Injectables were selected for deep dive due to best fit with Siegfried capabilities**
- **Actual steps that can be saved depend on each specific API formulation combination**

SOURCE: Team analysis McKinsey & Company

Strategic path (I)

Siegfried Organisation	– A functional organisation is key to render possible synergies between primary and secondary manufacturing a success. – Introduced I/2010
Siegfried DPI Project (Pulmojet)	– Establish partnership with strong pharmaceutical partner for clinical development – Exit of DPI project will improve Siegfried`s EBITDA by > € 10 Million
Siegfried Opiate business	– Gain Regulatory Approval for Controlled Substances in the US – Establish partnership with key pharmaceutical players for supply contracts

Strategic path (II)

Siegfried Financing	– NWC has been reduced by more than SFR 50 Million and will further improve. – A mandatory convertible has been placed succesfully in 2010 to generate SFR 80 Million to finance Transform Strategy
Backintegration into Asia	– A screening process for suitable candidates has been completed – Discussion with short list candidates ongoing
Forward integration	– Candidates to expand into sterile filling have been identified – Expansion plans for entry into HAPI (High Potent API) field for secondary manufacturing completed. Ready for biz in 2012

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Highlights H1 2010

- Sales growth H1 2010 12.4% in CHF (15.4% in LC)
- EBITDA core business FX adjusted improved by 11.2%, EBITDA-margin 12.7%

- Operating cashflow before changes in net current assets increased by 66.7%
- Capex reduced to CHF 5.2 million

- Capital increase: CHF 80 million mandatory convertible notes successfully placed in the market (May 2010)
- Company practically debt free end of June, fully debt free end of August
- Refinancing leads to additional financial expenses and a small net loss in the core business
- Unchanged credit limits of CHF 120 million available

Necessary financial means to implement the strategy available

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Highlights H1 2010

- Reorganization from divisional to functional structure implemented as of March 1, 2010. Dr. Wolfgang Wienand started as new Head of R&D per August 1, 2010
- Former Segments Siegfried Actives and Siegfried Generics integrated
- New Equity Ownership Plan (EOP) implemented:
  - Initial investment of BoD, Executive Management and Management blocked for four years
  - BoD remuneration and Executive Management and Management Bonus partially paid in Siegfried shares (80%, 70%, 40%) blocked for three years
  - Leverage shares in the years 2014 and 2016 based on achievement of set financial and strategic targets

Long term incentive for value creation and alignment of interests of sharesholders, BoD, Executive Management and Management

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Highlights H1 2010

- Outsourcing in Zofingen with one partner company effective, with second company to become effective in H2 2010
- Significant cash inflow of total CHF 12.9 million due to assets taken over by outsourcing partners.
- Operational savings of CHF 2 million p.a. expected, partially effective 2010 and fully effective 2011
- 56 employees to change companies

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Business Development H1 2010

Net Sales Business Operations

	H1 2010 CHF m	**H1 2009** CHF m	**Change** %	**Change** % in LC
Drug Substances	103.9	90.8	*+14.5*	*+17.8*
Drug Products	31.5	29.8	*+5.8*	*+8.1*
Total Group	**135.4**	**120.5**	***+12.4***	***+15.4***

Business Development H1 2010

Drug Substances

- Significant sales increase of 14.5% in CHF (17.8% in LC) to CHF 103.9 million. Strong performance compared to the industry
- Capacity utilization levels improved
- Strong efforts to replace key products before patent expiry by update and rejuvenation of pipeline for APIs and intermediates
- A second important supply contract signed in the US for Opiates business – approval by the US regulatory authorities expected 2012
- FDA approval for Arena's Lorcaserin expected Oct 2010

Business Development H1 2010

Drug Products

- Sales increase of 5.8% in CHF (8.1% in LC) to CHF 31.5 million despite enormous pressure of public authorities on Generics prices in all countries
- Update and rejuvenation of pipeline for finished dosage forms well on track.
- Initial market launches expected from 2011 on.
- Increased activity with research based customers, but development contracts demanding also regarding their timelines.

Business Development H1 2010
Inhalation

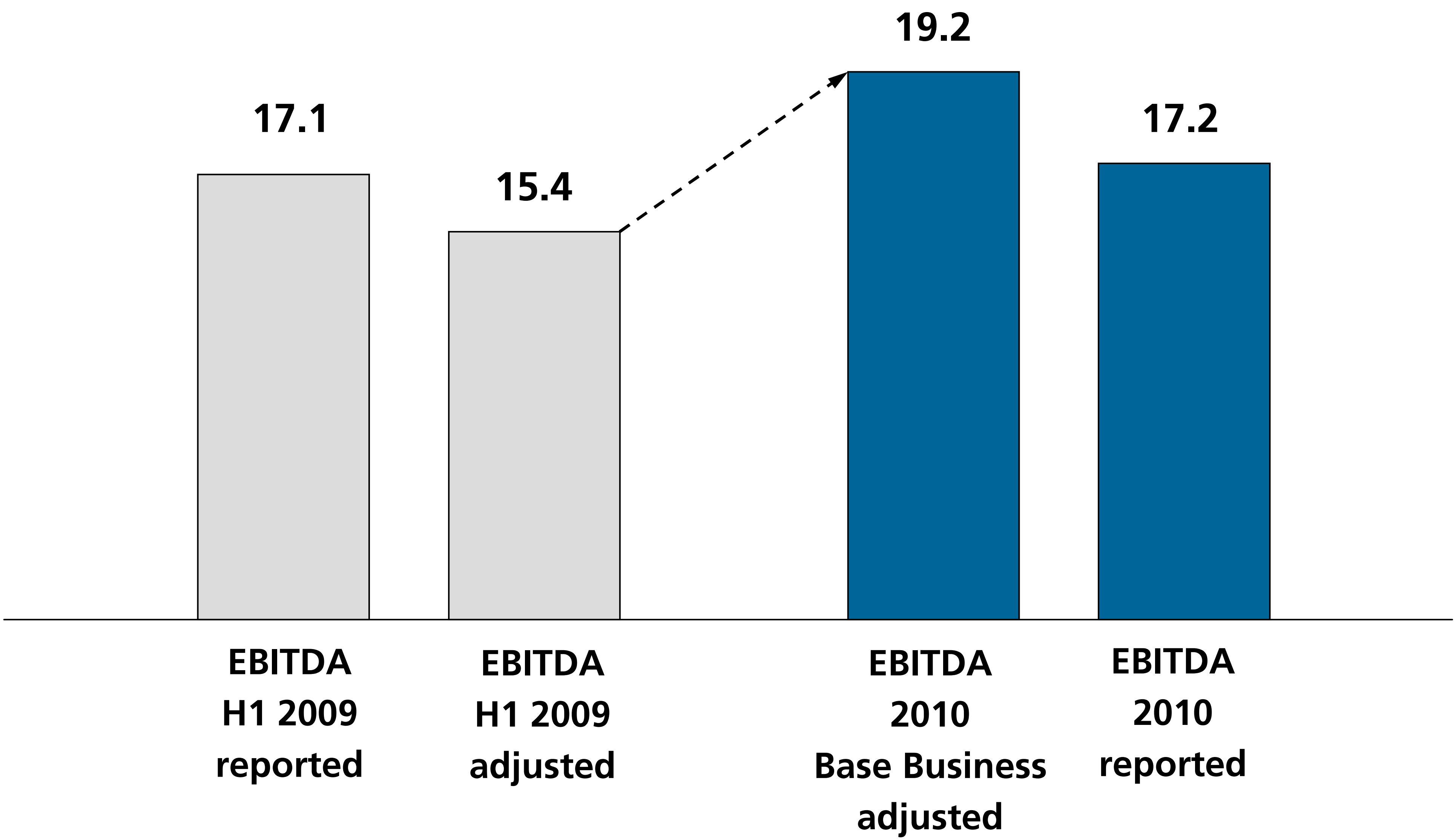
- Negotiations with third parties for partnering at an advanced stage.
- Goal to find a strong industrial partner.
- Siegfried will report on the results of the negotiations in the coming weeks.

Business Development H1 2010
EBITDA – core business

	H1 2010 CHF Mio.	**H1 2009** CHF Mio.	**Change** %
EBITDA *Margin*	17.2 *12.7*	17.1 *14.2*	*+0.4*
EBITDA w/o FX effects	17.6	15.8	*+11.2*

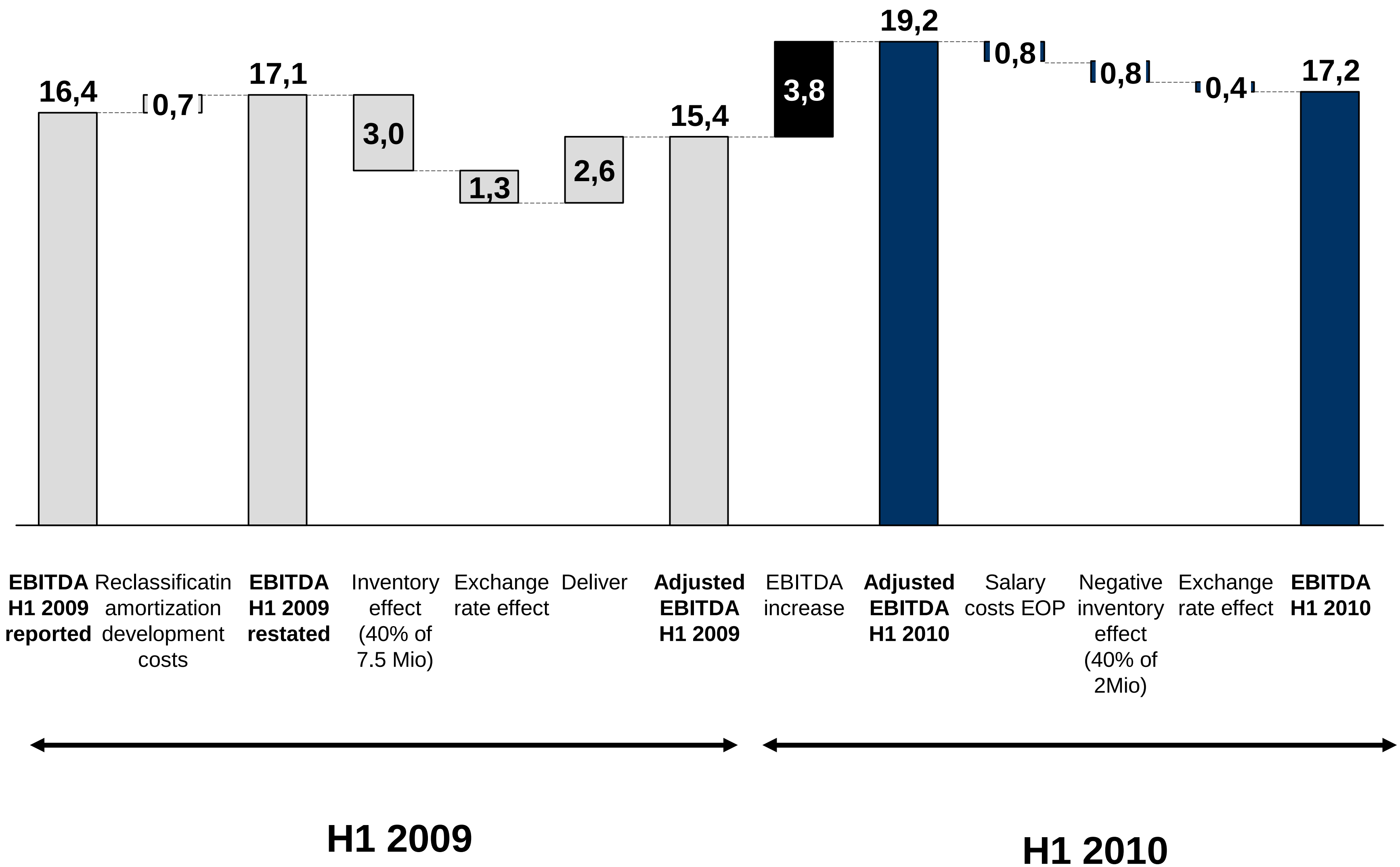
Business Development H1 2010

One-time effects – EBITDA core business



Business Development H1 2010

One-time effects 2009/2010 - EBITDA



Business Development H1 2010

EBIT - Net Income – core business

	2009 CHF Mio.	**2008** CHF Mio.	**Change** %
EBIT *Margin*	1.9 *1.4*	2.4 *2.0*	-22.0
EBIT w/o FX effects	2.3	1.2	+99.0
Net income	-2.3	0.6	*n/a*

Business Development H1 2010
Consolidated Income Statement

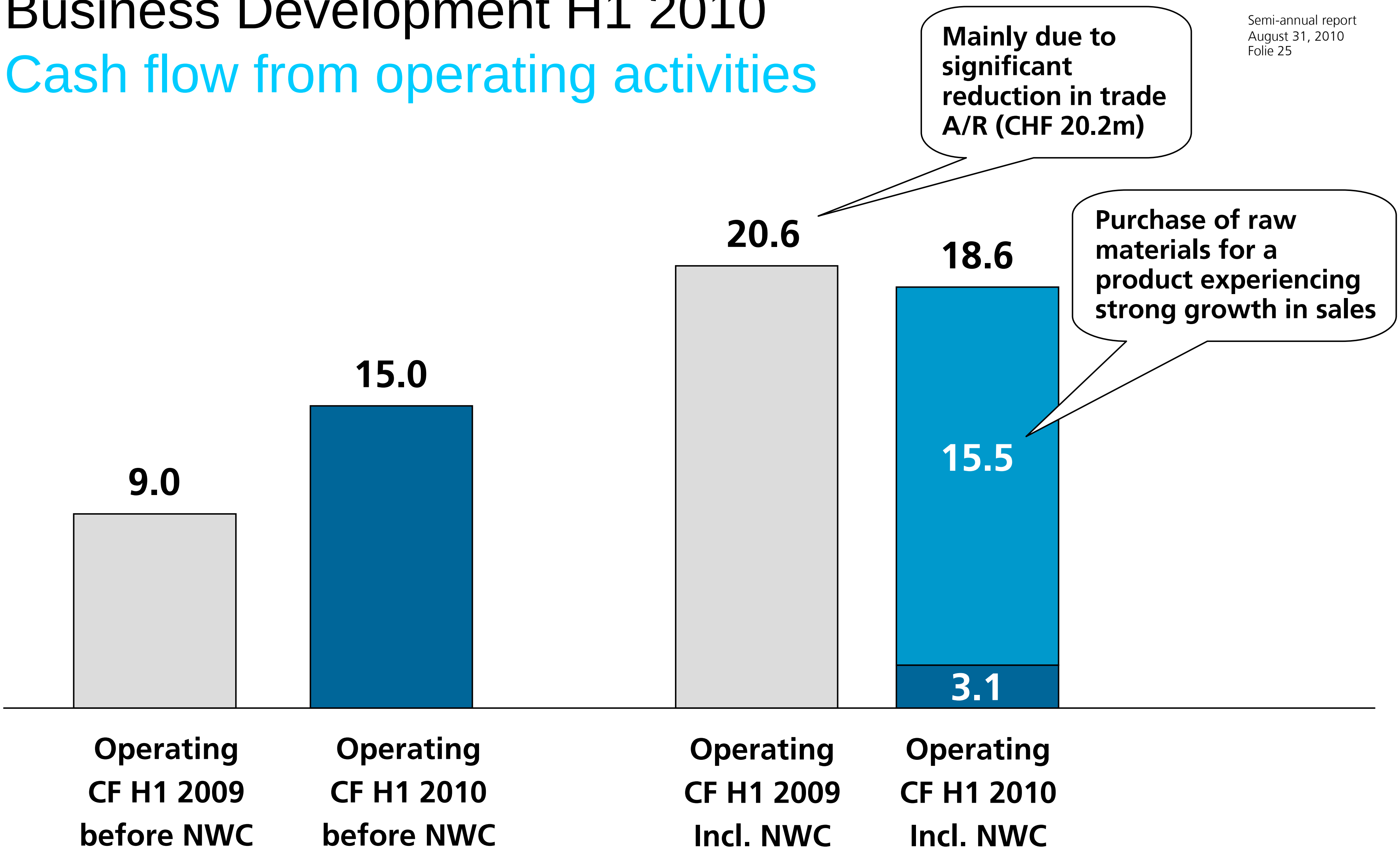
In 1 000 CHF

	1st Half-Year 2010	1st Half-Year 2009[1]
Net sales	135 430	120 533
Cost of goods sold	–109 174	–94 892
Gross profit	**26 256**	**25 641**
Marketing and sales	–5 716	–4 607
Research and development	–16 985	–16 512
Administration and general overhead	–9 706	–10 591
Other operating income	2 049	1 908
Operating result	**–4 102**	**–4 161**
Share of results of associated companies	581	650
Financial income	281	523
Financial expenses	–5 676	–2 781
Exchange rate differences	959	–29
Loss/profit before taxes	**–7 957**	**–5 798**
Income taxes	–357	–169
Net loss	**–8 314**	**–5 967**
Net loss per share		
Undiluted net loss per share	–2.72	–2.16
Diluted net loss per share	–2.72	–2.16

[1] Income statement 1st half-year 2009 restated, see page 12. Due to the restatement of development of generic dossiers from inventories to intangible assets, sales and cost of goods sold have been reduced by TCHF 486.

Business Development H1 2010

Cash flow from operating activities



Business Development H1 2010

Consolidated Cash Flow Statement

In 1 000 CHF

	1st Half-Year 2010	1st Half-Year 2009[1]
Net loss	**–8 314**	**–5 967**
Adjustments:		
Depreciation property, plant and equipment and intangible assets	16 061	15 380
Financial result	4 436	2 287
Other non-cash items	2 819	–2 701
Cash flow from operating activities before change in net current assets	**15 002**	**8 999**
Change in net current assets and other items	–11 911	11 597
Cash flow from operating activities	**3 091**	**20 596**
Purchase of property, plant and equipment and intangible assets	–5 174	–12 832
Other cash flow from investing activities	260	–261
Cash flow from investing activities	**–4 914**	**–13 093**
Issuance of mandatory convertible notes	76 730	–
(Repayment) / Increase of non-current financial liabilities	–62 479	5 000
Other changes from financing activities	–7 475	–3 341
Purchase/disposal of treasury shares, net	–5 572	–1 300
Dividend paid to shareholders of Siegfried Holding AG	–	–5 739
Cash flow from financing activities	**1 204**	**–5 380**
Net change in cash	**–619**	**2 123**
Cash as of 1.1.	8 083	14 937
Net effect of exchange rate changes on cash	64	125
Cash as of 30.6.	7 528	17 185

Business Development 2010
Capex H1 2010

Capital expenditure	H1 2010 CHF Mio.	H1 2009 CHF Mio.
Capex Fixed/Intangible Assets	5.2	12.8

Outlook

Siegfried expects improved revenues for the whole year 2010 compared to the previous year and forecasts a net profit in the core business at the end of the year.

Based on the well progressed reorganization over the past 12 months, a clear unique selling proposition, an attractive market offer and increased competitive strength, Siegfried intends to maintain the pace to be able to profit from the new strategy already by next year.

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Thank you for your attention