

Building a leading fully integrated CDMO player

Media and Analyst Conference 2019

Zurich – 7 March 2019

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Agenda

Status & Outlook

Facts & Figures

Strategy

Higher sales and significantly higher profits in 2018 – positive outlook for 2019 and beyond

- › Robust growth: Net sales up to CHF 794.3m (+5.8%)
- › Increased profits and profitabilities on all levels: EBITDA CHF 127.4m (+14.5%) and EBITDA margin 16.0% (+1.2 percentage points), net profit CHF 57.5m (+40.9%)
- › Strong cash generation: Operating cash flow of CHF 106.0m (+25.2%) and free cash flow of CHF 46.0m (+42.4%)

- › As of 1 January 2019, Wolfgang Wienand took over responsibility as new CEO
- › In 2018, a new logistics center and 40 new R&D workplaces were put into operation in Zofingen
- › The Hameln site is currently developing capabilities and creating capacity for aseptic filling of biopharmaceuticals
- › Investments on other sites ongoing

- › Outlook 2019: At least mid-single-digit sales growth with a further increase in EBITDA margin (at constant Fx)
- › Mid-term outlook: Profitable organic growth in line with market – with the ambition to outgrow including selective and value accretive M&A

Agenda

Status & Outlook

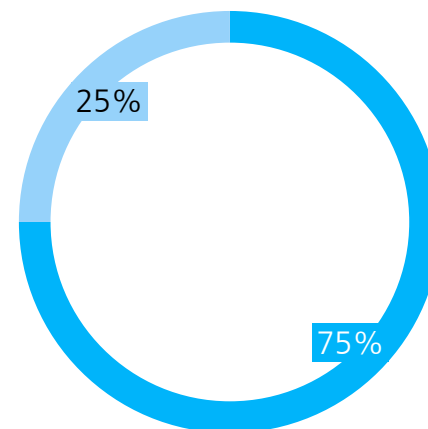
Facts & Figures

Strategy

Robust growth in net sales

CHF million	2018	2017	Change
Drug Substances	595.5	580.7	+ 2.5%
Drug Products	198.8	169.8	+ 17.1%
Total	794.3	750.5	+ 5.8% (+ 4.4% in LC ¹)

Net sales split 2018



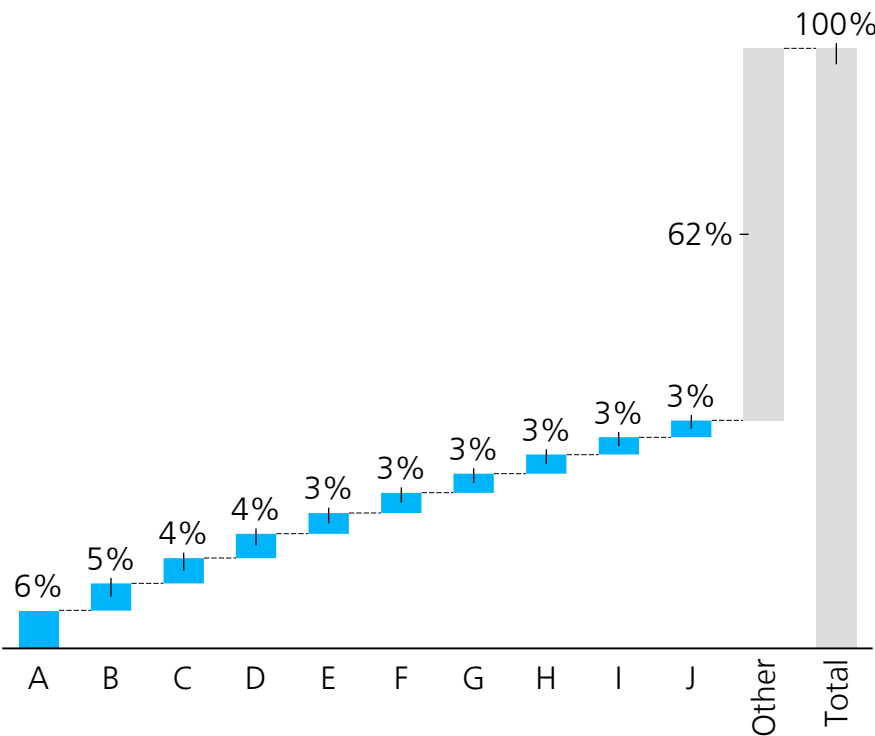
■ Drug Substances ■ Drug Products

- › Net sales grew by +5.8% to CHF 794.3m
- › Drug Products recorded a growth of +17.1%, Drug Substances a growth of +2.5%
- › Drug Substances account for approx. 75% of net sales, Drug Products for 25%

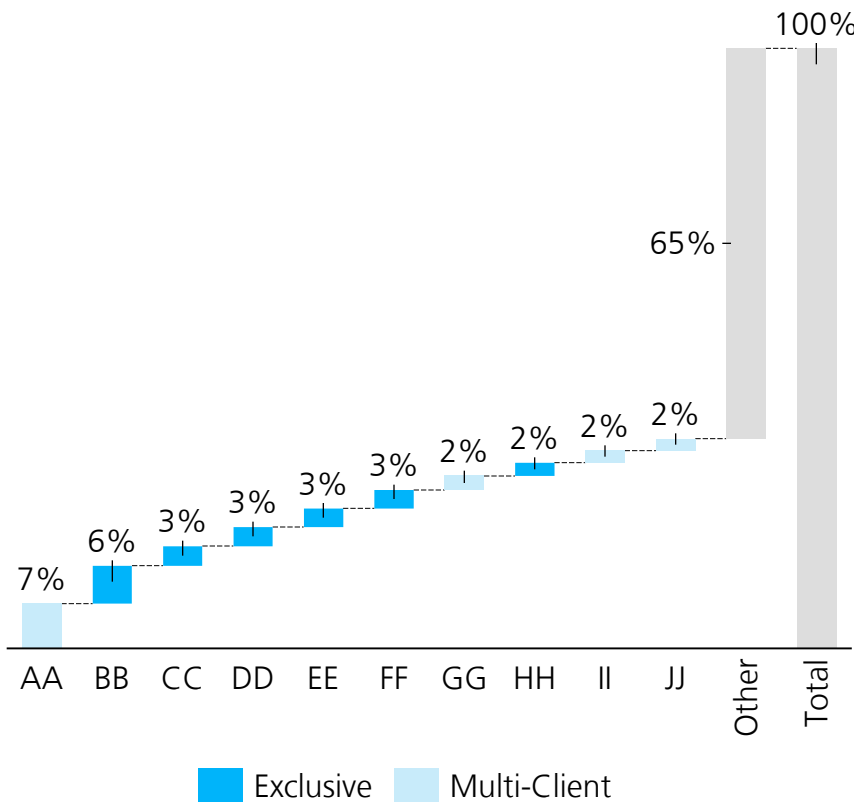
1. Local currency

Highly diversified business portfolio with low dependency on a single customer or a single product

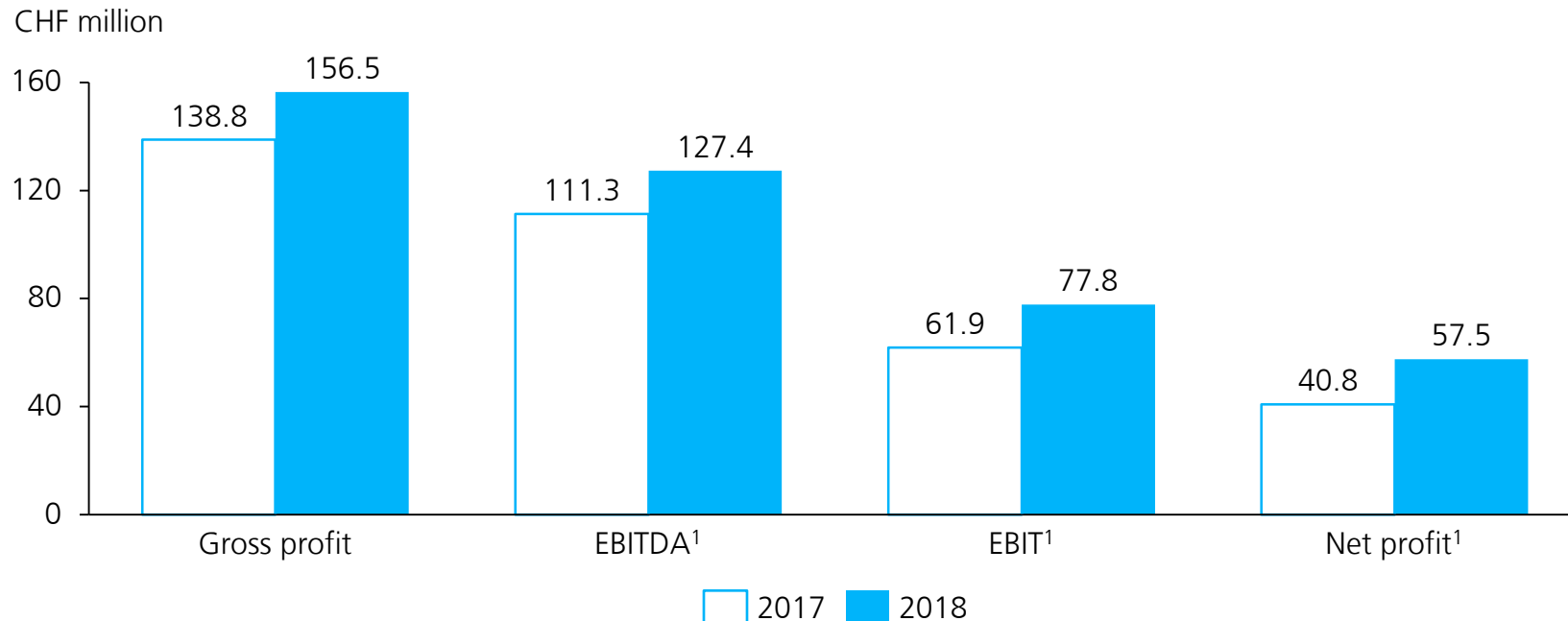
Net sales: Customer concentration 2018



Net sales: Product concentration 2018



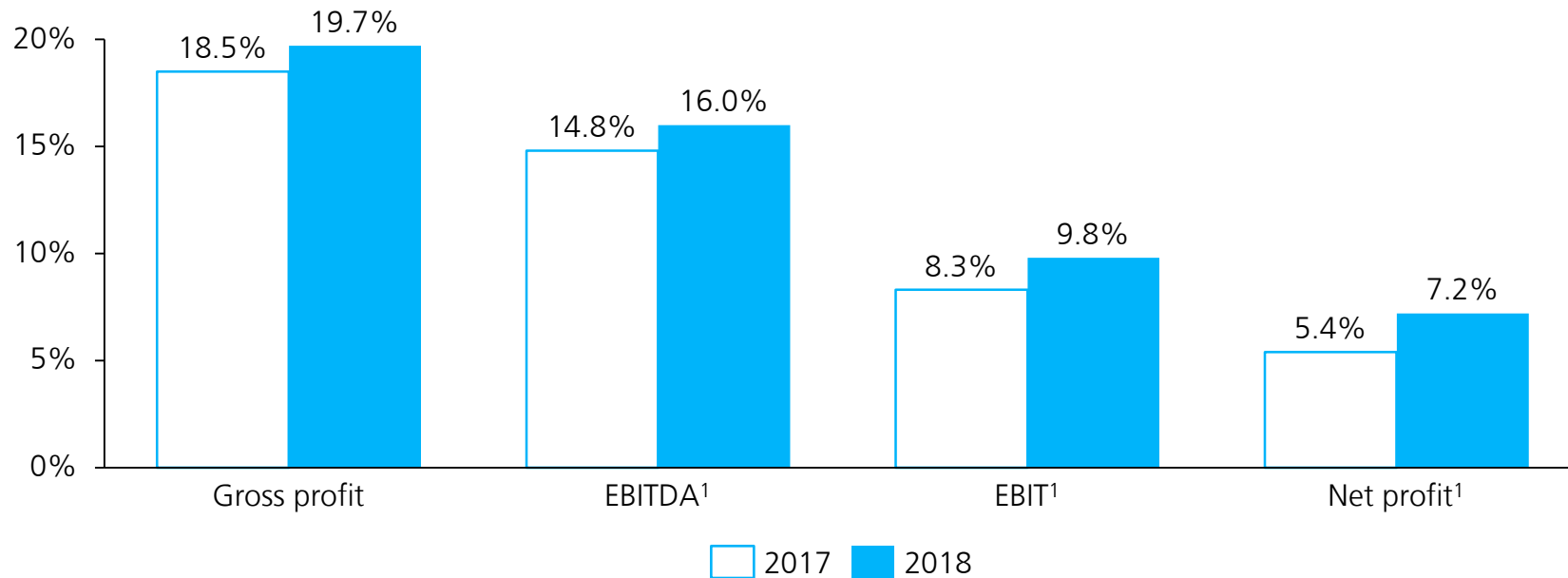
Significant increase in operating profits



- > Significant increase of profits on all levels, gross profit through net profit
- > Strong increase of net profit by CHF 16.7m (+40.9%)
- > Restatement of 2017 numbers: Interest components of European pension obligations are now included in personnel expenses (above EBITDA). Effect on 2017 EBITDA is a reduction of CHF 2.7m

1. Numbers for 2017 are restated; numbers for 2018 before restructuring charge

Margin expansion on all levels – EBITDA margin increase of 120 basis points



1. Numbers for 2017 are restated; numbers for 2018 before restructuring charge

Strong increase of net profit by CHF 15.5m to CHF 56.3m

CHF '000	2018	2017*
Net sales	794 297	750 468
Cost of goods sold	– 637 769	– 611 657
Gross profit	156 528	138 811
Marketing and sales	– 16 122	– 16 228
Research and development	– 27 471	– 25 631
Admin and general overhead	– 43 350	– 41 290
Other operating income	6 733	6 264
Share of result of associates	– 38	– 8
Operating profit (EBIT)	76 280	61 918
Financial result	– 6 116	– 4 055
Tax result	– 13 854	– 17 041
Net profit	56 310	40 822
EPS (CHF)	13.52	10.28
EPS diluted (CHF)	13.10	9.97

* Restated

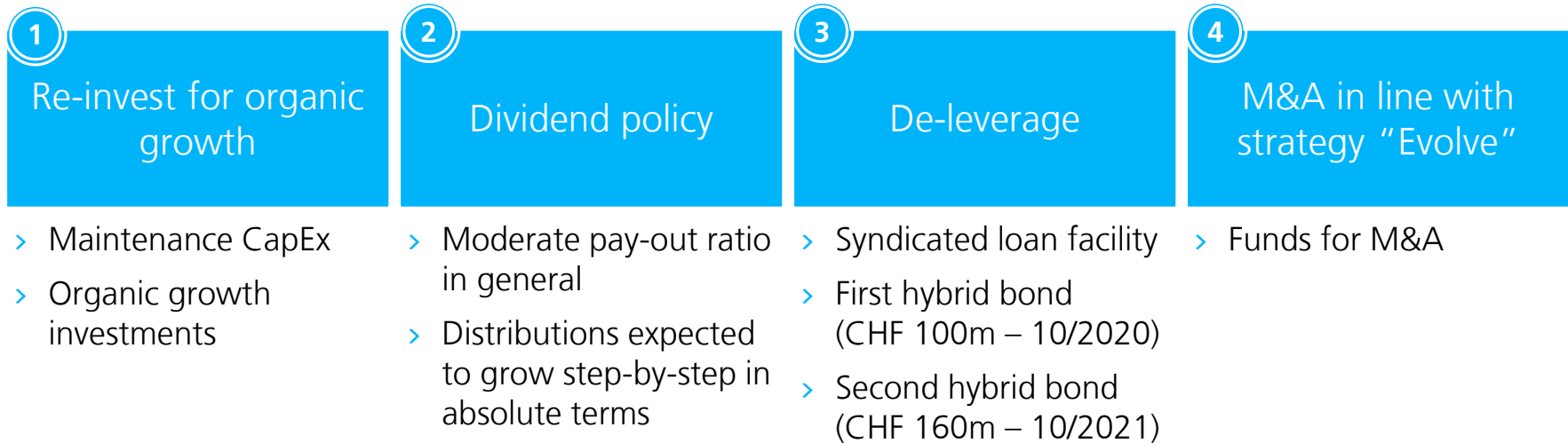
- Admin and general overhead include restructuring cost of CHF 1.5m, as well as charges for additional provisions
- Financial result reduced by currency translation differences of CHF 2.5m

Significant improvement of operating cash flow by CHF 21m to CHF 106m

CHF '000	2018	2017
Operating cash flow before changes in NWC	134 949	106 565
Change in NWC	– 28 948	– 21 933
Operating cash flow	106 001	84 632
Purchase of PPE and intangibles (net)	– 60 053	– 52 840
Acquisition of group companies	– 4 754	-
Other investing activities	2 978	594
Cash flow from investing activities	– 61 829	– 52 246
Free cash flow	45 956	32 337
Cash flow from financing activities	– 8 495	– 10 125
Treasury shares	– 29 439	– 19 894
Net change in cash	+ 6 238	+ 2 367

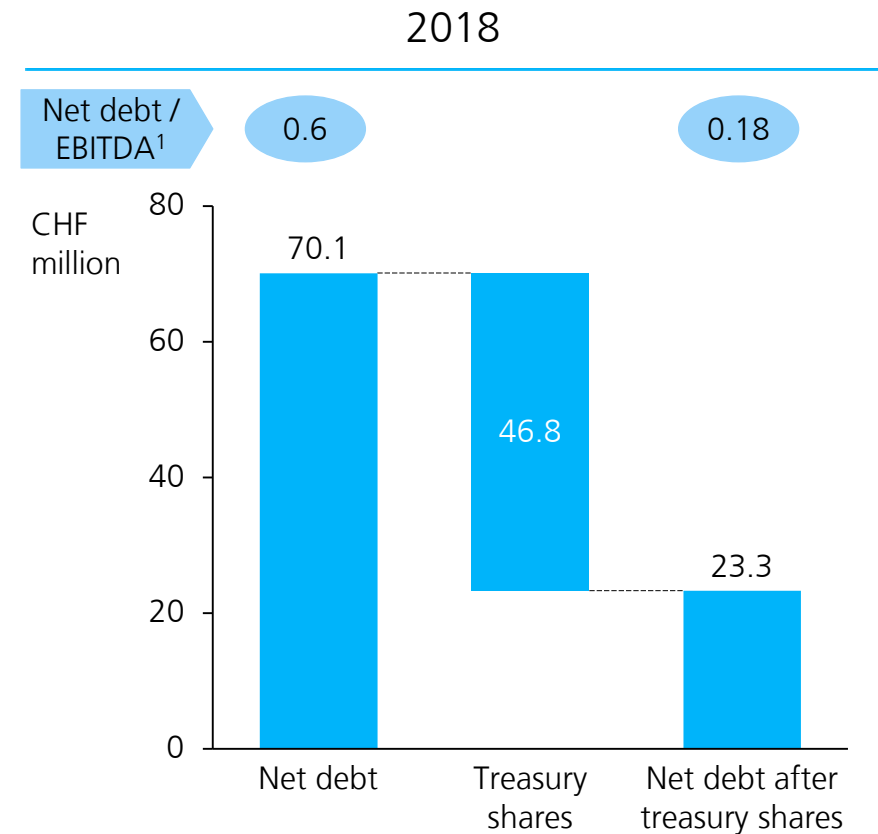
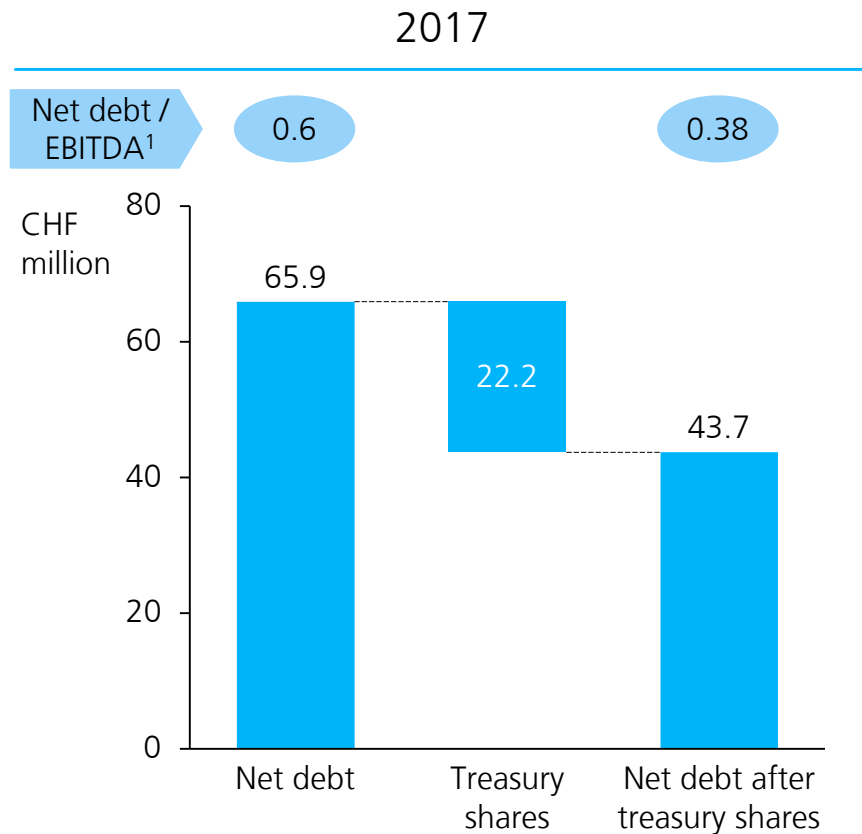
- › Record-high operating cash flow and free cash flow
- › Slightly higher purchases of PPE, investments in additional R&D space, a new logistics center in Zofingen, and warehouse capacity in Irvine

Siegfried's use of funds follows a clear set of priorities in order to provide for sufficient sources of funds for strategy execution



Maintain strong balance sheet to preserve financial flexibility

Financing capacity: Sufficient dry powder to fund our strategic journey ahead



- > Net Debt / EBITDA of 3x temporarily acceptable, resulting in an additional financing capacity² of CHF 350m
- > Thereof, CHF 200m is covered by existing contractual arrangements

1. Calculated on the basis that hybrid bonds are part of equity capital. If considered debt capital, the figures change as follows: 2017 – 2.9, 2.7; 2018 – 2.6, 2.2; 2. Estimation based on 2018 EBITDA

Pay-out proposal to the AGM on 17 April 2019: Increase by 20 cent to CHF 2.60 per share

- › The Board of Directors proposes a pay-out from the capital contribution reserves of CHF 2.60 per share (2018: CHF 2.40 per share) – in total approx. CHF 10.8m
- › The capital contribution reserve after distribution is CHF 113.6m

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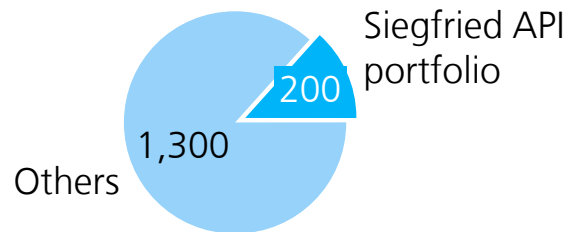
Strategy

Siegfried's mission: What we do – and how we do it – matters to customers, patients, and society

With mastery of science and technology,
we take the precious innovations of our
pharmaceutical customers to industrial scale
and manufacture safe drugs for patients
worldwide



Siegfried does matter to customers, patients and society – every day, everywhere



- > Approx. 1,500 active pharmaceutical ingredients (APIs) are contained in pharma products approved by the FDA
- > Thereof Siegfried supplies approx. 200 APIs – acting as a significant source to patients' therapy continuity
- > Based on our current portfolio, Siegfried serves approx. 40 million patients annually
- > This is equal to five times the Suisse population or twice the population of New York City
- > Significant share of the annual global caffeine supply
- > Many caffeinated beverages we consume contain a Siegfried product
- > We estimate, that up to 1b people get in contact with Siegfried products each year

Siegfried is playing in an attractive and growing market



- › Healthcare expenditure with strong growth across all segments including pharma



- › Outsourcing of manufacturing is an ongoing and sustainable development due to strong strategic rationale for pharmacos

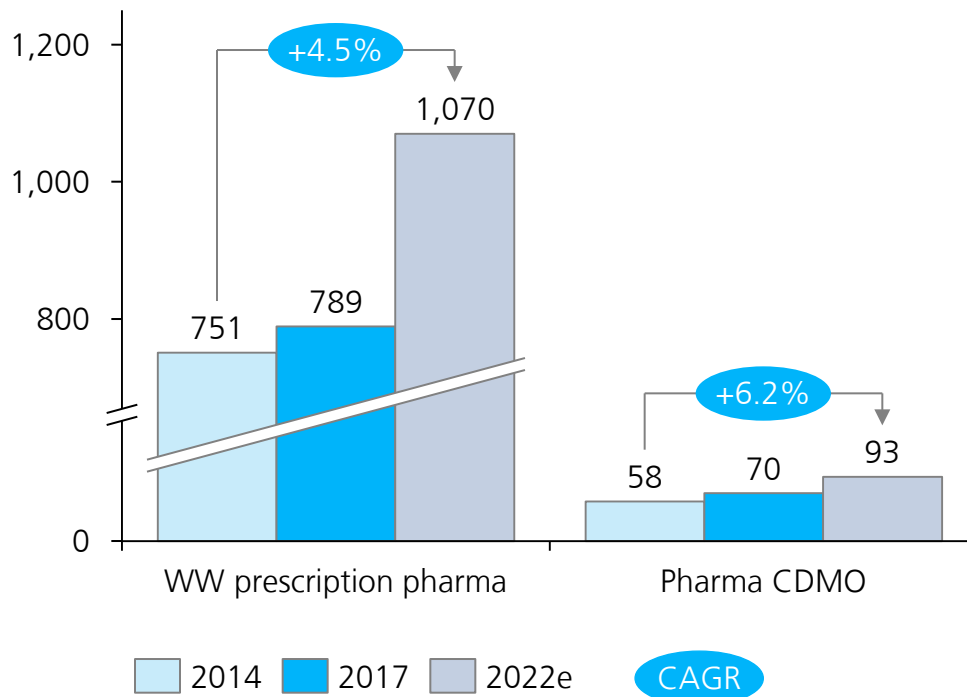


- › The CDMO market is growing at approx. 6% y-o-y and above pharma market growth rate of approx. 4.5% y-o-y

The CDMO market is growing above rates of pharma's prescription segment

Global prescription pharma market vs CDMO market

Global market revenue
in USDb



Key facts

Market growth forecasts

- > Worldwide prescription pharma market is growing at approx. 4.5% (CAGR 2014-2022)
- > Worldwide pharma CDMO market is growing at approx. 6.2% (CAGR 2014-2022)

Implications for the CDMO industry

- > Pipelines of Rx and Gx as relevant drivers for outsourcing volumes
- > CDMO must broaden their technological expertise to produce new molecular entities with increased complexity and more demanding processes

Source: EvaluatePharma World Preview 2018; Visiongain Market Report - Pharmaceutical Contract Manufacturing Market 2017-2027

Comment: Pharma CDMO market includes DS (generic APIs: small molecules & biologics; highly potent APIs: small molecules & biologics), DP (OSD; sterile: small molecules & biologics; other forms) and other CDMO services (formulation development services)

The pharmaceutical industry is changing: Future customer demands and industry dynamics shaping the CDMO industry

Five fundamental trends of the pharmaceutical industry impacting CDMOs



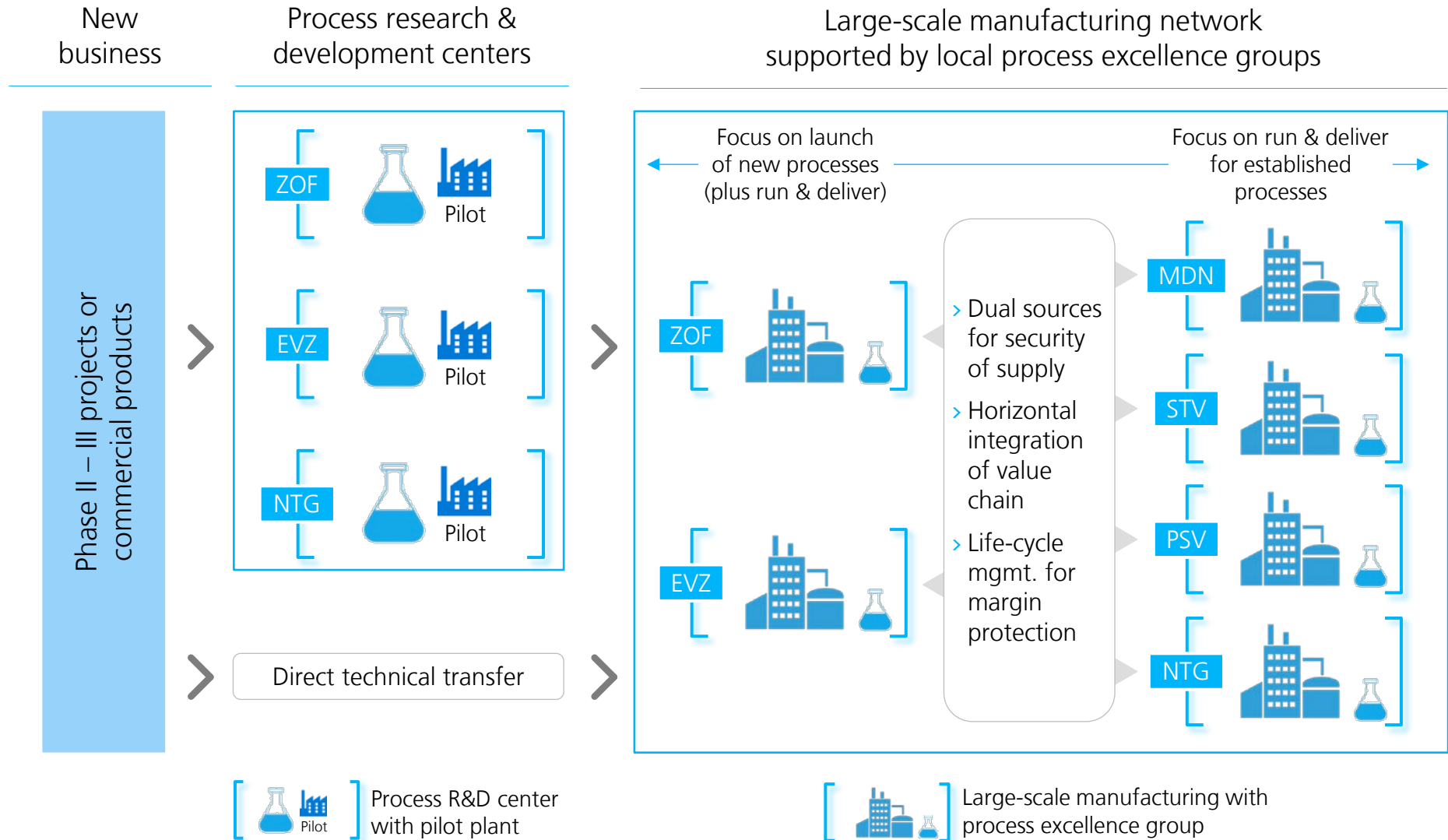
- > **Focus on innovation and marketing**, not (or increasingly less) on in-house process development and production
- > **Increased cost awareness**, focus on complexity costs / risks within the supply chain as a key cost driver
- > **Break-through innovations** often come from small pharma which do not have own process development or manufacturing capabilities
- > **Increasing complexity** of new pharmaceutical entities and medicinal therapies benefit from integrated offering of drug substances and drug products to reduce „time-to-market“
- > **Proactive life-cycle management** to maximize value of innovative drugs after patent expiry

Our production network offers a unique combination of flexibility and integration for both, innovative and generic products

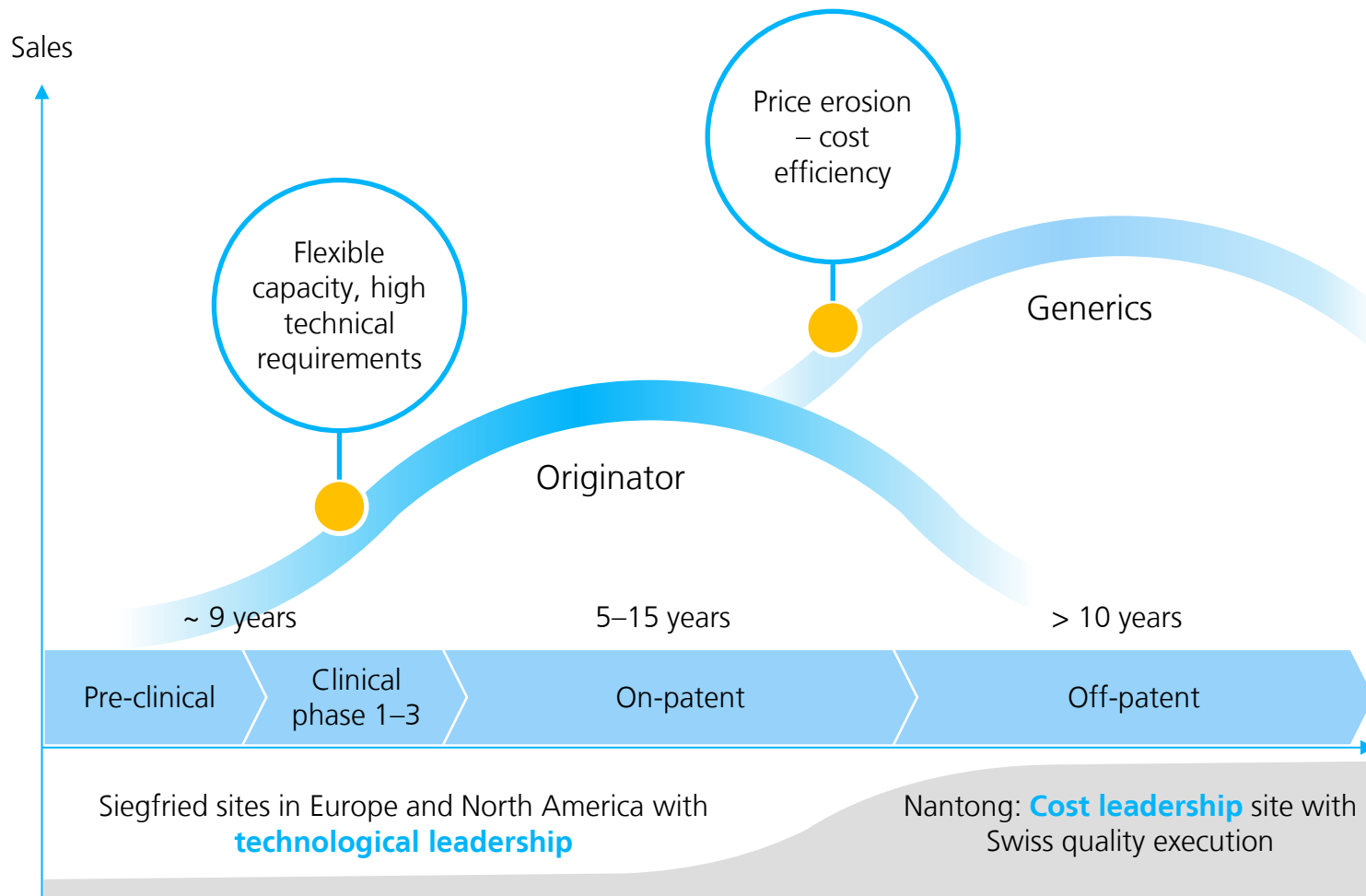


DS: Drug Substances (API)
DP: Drug Products

Drug substances: We run a highly competitive and increasingly integrated network of sites to best address customer needs

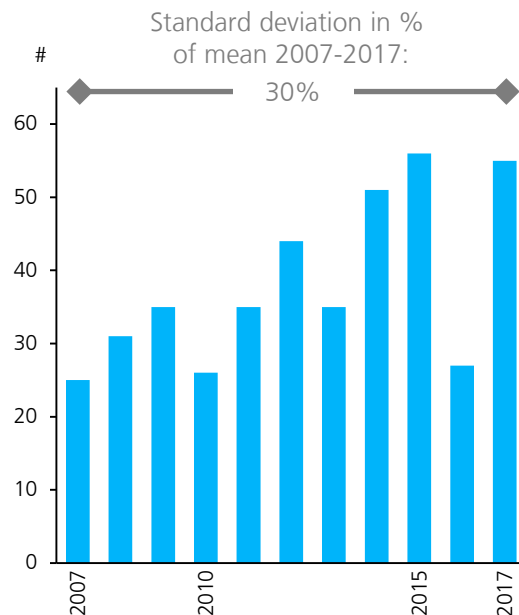


Based on our network of differentiated sites, we can access more than only one market entry point



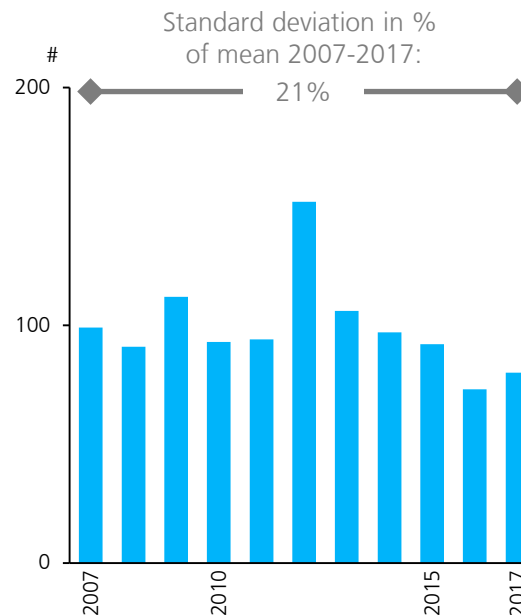
Being able to address both, the innovative and generic segment reduces the volatility of our business

Number of FDA approvals for innovative drugs



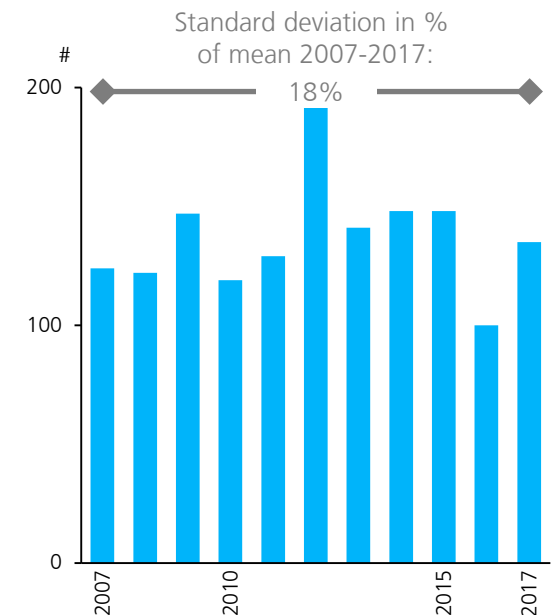
- CDMO key success factors
- > R&D and technology competence
 - > Asset flexibility and efficiency
 - > Unit cost

Number of ANDA "1st generic approval"



- CDMO key success factors
- > Unit cost
 - > Non-quality cost
 - > Technology and process mastering

Reduced volatility: Number of NDA + ANDA

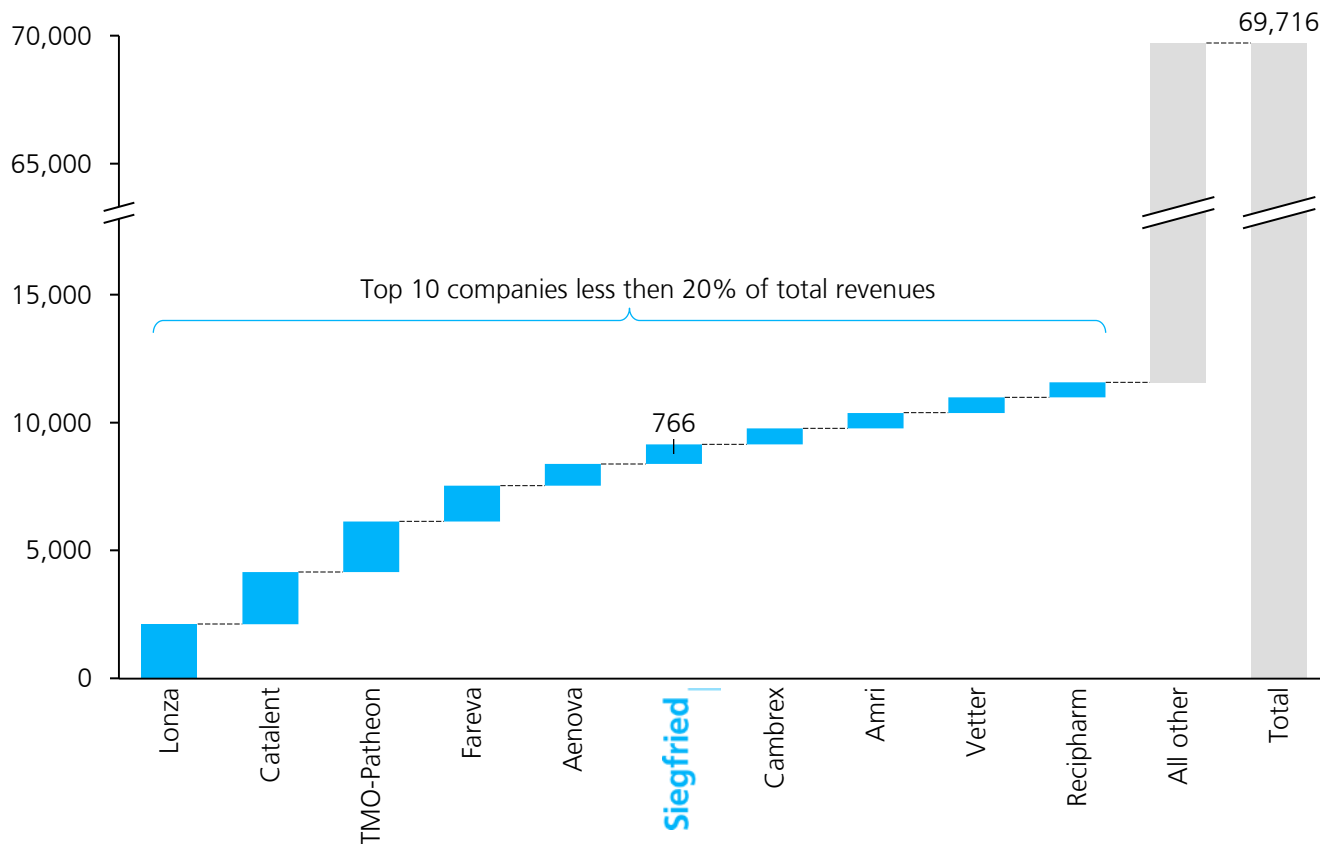


- Network capabilities
- > Matching product & customer needs with site capabilities
 - > Follow the product life-cycle

Source: EvaluatePharma, data extract by Siegfried on 30 Nov 2018
 Comment: Number of ANDAs includes multiple approvals from different companies for the same molecule

The CDMO competitive landscape is highly fragmented – Siegfried with a leading position, however, room to advance further

Global 2017 market revenue
by company in USDm



Competitive landscape

- > Despite ongoing consolidation, the CDMO market remains very fragmented
- > The top ten players generate less than 20% of the USD 70b CDMO market
- > Market strives for consolidation, but end-game is still in the far future

Source: Visiongain Market Report - Pharmaceutical Contract Manufacturing Market 2017-2027; Annual reports of shown companies, public data, Siegfried analysis
Comment: Lonza excl. Capsugel, Catalent excl. clinical supply business, Cambrex incl. Halo (pro forma, estimate USD100m) excl. Avista; Thermo Patheon excl. clinical trial business

Siegfried strives for expansion of its leading position in a highly fragmented competitive environment

Sales USD

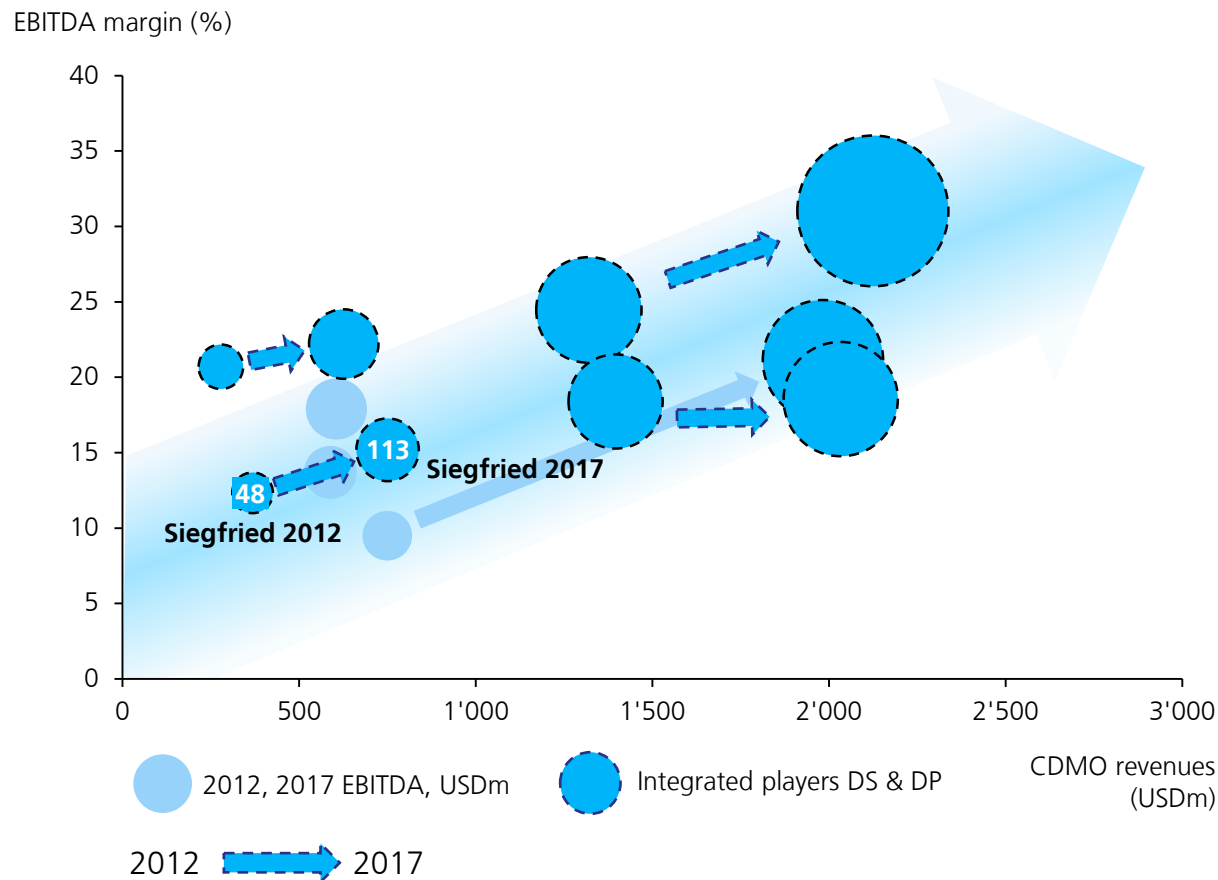
Role in the consolidation game



Source: Kurmann Partners, Siegfried

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Size matters: Large and growing players are able to translate scale into superior profitability levels



Economies of scale

- > Larger players have higher EBITDA margins
- > Growth often translates into increasing EBITDA margins
- > CDMO business model offers significant economies of scale
- > Self-amplifying process: Larger players generate more EBITDA (absolute and relative) than smaller peers which can then be invested in further growth and margin expansion

Strategy EVOLVE: Drive Siegfried's organic and external growth agenda by executing on a set of independent strategic options

Investments in technology base



- Grow our technology base in small molecule manufacturing (e.g., micronization, HPAPI)

Organic expansion into large molecules



- Organic expansion in adjacent areas: aseptic fill & finish as well as formulation development for large molecules ("biologics")

Acquisition DP



- Acquisitive growth in oral solid dosage form and sterile/aseptic filling capacities in Europe and the US to reach critical scale

Acquisition DS



- Continue acquisitive growth in small molecule DS – preferably in North America
- Depending on opportunity, acquire small-scale biologics manufacturing assets

Siegfried's vision: Perpetuate robust organic growth and execute value accretive M&A to outgrow market and competition

Siegfried today

Net sales
CHF 794m

2018

Accelerated growth through M&A

- > Value accretive acquisitions in our core areas
- > Acquisitive entry to new areas within CDMO model

Robust organic growth

- > Organic growth in line with CDMO market – with the ambition to outgrow
- > On the way, expansion of EBITDA margin up to 20%
- > Selective investments in technologies
- > Deep integration of entire site network
- > Incremental investments in capacity

Siegfried vision

- ✓ Be a global leader in the CDMO space
- ✓ Be the most trusted partner of the pharmaceutical industry
- ✓ Be the strongest team running the most competitive network
- ✓ Have critical size in all segments and main geographies
- ✓ Master all relevant chemical, biological & pharmaceutical technologies

2028

