

Well on Track in Challenging Times: Siegfried Continues to Grow in the First Half of 2020



For the first half-year of 2020, the Siegfried Group (SIX: SFZN) reports net sales of 388.1 million Swiss francs. This corresponds to a growth compared to H1 2019 of 2.2 percent in local currencies (LC) and a decline of 1.5 percent in Swiss francs (H1 2019: 393.9 million francs). The sales growth was achieved despite adverse circumstances and significant challenges caused by the coronavirus pandemic. Core EBITDA amounted to 58.1 million Swiss francs (H1 2019: 66.3 million francs), corresponding to a core EBITDA margin of 15.0 percent (H1 2019: 16.8 percent). Core EBIT amounted to 31.3 million Swiss francs (H1 2019: 42.0 million francs). Cash flow from operating activities grew by 8.4 percent to 45.0 million Swiss francs (H1 2019: 41.5 million francs), free cash flow increased to 17.1 million Swiss francs (H1 2019: 14.7 million francs). This achievement is the result of forward-looking crisis management starting already in January 2020, clear internal communication, implementation of strict measures protecting the employees, and stringent risk management of the global production activities, supply chains and safety stocks of Siegfried.

Key Figures 2020

	1 st Half-Year 2020	1 st Half-Year 2019	Change CHF (LC)
Net sales (million CHF)	388.1	393.9	-1.5% (+2.2%)
Gross profit (million CHF)	72.2	92.4	-21.9%
Gross profit margin (in %)	18.6%	23.5%	
Core¹ Results			
Core-EBITDA (million CHF)	58.1	66.3	-12.4%
Core-EBITDA margin (in %)	15.0%	16.8%	
Core-EBIT (operating result) (million CHF)	31.3	42.0	-25.6%
Core-EBIT margin (in %)	8.1%	10.7%	
Core Net profit (million CHF)	21.5	31.0	-30.5%
Core Net profit-margin (in %)	5.5%	7.9%	
Core non-diluted earnings per share (CHF)	5.21	7.47	-30.3%
Core diluted earnings per share (CHF)	5.06	7.29	-30.6%
Cash flow from operating activities (million CHF)	45.0	41.5	8.4%
Free cash flow (million CHF)	17.1	14.7	16.5%
Investment in property, plant and equipment and intangible assets (million CHF)	27.9	26.9	3.9%
	June 30, 2020	December 31, 2019	Change
Equity (million CHF)	696.1	691.7	0.6%
Total assets (million CHF)	1 172.1	1 168.7	0.3%
Equity ratio (in %)	59.4%	59.2%	
Employees (number of FTEs)	2 496	2 407	3.69%

¹ As of June 30, 2020, CHF 0.5 million was reclassified from the current net interest on foreign pension liabilities to the financial result (previous year CHF 1.0 million).
The tax asset on the step up on trademark rights as of December 31, 2019, resulting from the TRAF 17 measures, was released as of June 30, 2020 in a proportionate amount of CHF 0.9 million (previous year 0).

Siegfried-CEO Wolfgang Wienand: "As a global team, we at Siegfried have coped well with the significant challenges posed by COVID-19 and have kept our company on track also in extraordinary times – always aware of our great responsibility towards our customers and millions of patients worldwide. We could always rely on the high commitment of our employees at all sites who have implemented our comprehensive COVID-19 measures in a disciplined manner. For this, I would like to express my gratitude! As an important manufacturer of essential pharmaceutical products, government entities in many countries have granted Siegfried the status as being relevant to the healthcare system. This created the basis for the continued operation of our plants even during the crisis. Despite all the uncertainties that remain concerning the coronavirus and the further course of the pandemic, I continue to be optimistic for the future of Siegfried."

Production activity maintained

Despite various regional and national restrictions to contain COVID-19, the Siegfried Group was able to largely maintain its production activities at all sites. Only our site in Nantong (China) experienced a production interruption for two weeks in February due to general national lockdown measures. The vast majority of our employees in production, logistics and other production-related and technical areas remained at our sites at all times, in production facilities, workshops and laboratories. Especially during the early phase of the pandemic, Siegfried implemented home office for the administrative parts of the organization as a measure to minimize risk.

Strong operating cash generation despite coronavirus crisis – lower sales growth affecting operating result

Sales and earnings in the first half of 2020 were clearly affected by COVID-19. In general, the lockdown measures resulted in delays in global healthcare services and reduced access to patients. Besides higher demand for individual products used in the treatment of COVID-19

patients and essentially unchanged demand for most of our portfolio, our customers considerably lowered their purchase quantities for a few product groups as the related medical treatments and therapies were postponed to give preference to the acute care of COVID-19 patients. As a result, the volume of corresponding prescriptions decreased. Furthermore, Siegfried's own manufacturing performance did not fully achieve the originally planned level owing to higher absentee rates, mainly from precautionary quarantine measures, the production downtime in Nantong (China), individual delays within the supply chain, and delayed maintenance repairs by third-party service providers.

As a result, it was not possible to fully absorb the slightly increased cost base in expectation of a noticeably higher business volume (headcount of 2,496 FTE as of 30.06.2020 compared to 2,407 FTE as of 30.06.2019) to the extent planned and to translate it into sales and profit accordingly. This results in a gross profit margin of 18.6 percent, which is lower than that for the very strong H1 2019 (23.5 percent). By implementing short-term and strict cost management in production-independent areas (SG&A), we have succeeded to partly compensate these negative external effects and, in general, to maintain Siegfried's profitability at a good level. Undiluted core net profit per share amounted to 5.21 Swiss francs (H1 2019: 7.47 francs) and diluted core net profit per share to 5.06 Swiss francs (H1 2019: 7.29 francs).

Cash generation, which in times of crisis is decisive, significantly increased compared to H1 2019, confirming Siegfried's operational strength and the resilience of its business model.

Business with drug products growing strongly – drug substances and intermediates stable

Currently, the Siegfried Group generates about three quarters of its sales with active pharmaceutical ingredients and intermediates and about one quarter with finished formulations, consisting of aseptic liquid dosage forms (vials, ampoules and cartridges) and solid dosage forms (tablets and capsules). Sales in the field of drug products grew by about 7 percent (in LC), supported mainly by the business with aseptic filling, for which Siegfried sees very good growth opportunities in the future and is currently evaluating cooperations with various pharmaceutical companies concerning the manufacturing of aseptic finished dosage forms for COVID-19 vaccines that are still in the clinical development phase. Sales of drug substances, an essential growth driver for the Siegfried Group in 2019, were more affected by COVID-19, but were still nearly 1 percent (in LC) above the strong prior-year period.

Donations of disinfectants to the healthcare sector

In the early phase of the coronavirus pandemic, Siegfried produced disinfecting agents in its own production plants in support of hygiene measures required at the workplace and also for the protection of employees and their families at home and distributed them together with reusable protective masks free of charge. Moreover, Siegfried donated large quantities of disinfecting agents fast and unbureaucratically to local hospitals and public institutions located in the regions in which Siegfried operates production sites and which suffered acute shortage. This reflects our self-conception as a company and as a member and beneficiary of local and regional communal structures, which contribute to Siegfried's success.

Siegfried continues to invest in its global manufacturing network

In the first half of 2020, Siegfried continued to execute on targeted expansion investments in its manufacturing network in order to provide the required additional capacities and technologies for the organic growth expected in the short to mid-term. These investments include a large-scale facility for micronization of drug substances in Evionnaz (CH), a large-scale high-pressure hydrogenation plant in Zofingen (CH), additional incremental investments in capacity

at all drug substance sites in Europe and the USA, new filling lines for aseptic liquid drug products in Hameln (D) and Irvine (USA) and a stepwise increase of production capacity for oral drug products in Hal Far (Malta). Future investments will be applied to both areas, drug substances and drug products, as Siegfried expects attractive growth opportunities in both areas for which it will require additional capacity and competences.

Outlook for the 2020 financial year and the medium-term future confirmed

Despite an uncertain macro environment due to the continued coronavirus pandemic and, as a result, significantly reduced predictability, the Siegfried Group confirms its outlook for the full year 2020: Low single-digit percentage growth of sales (in LC) and, expecting a stronger second half-year, a slight expansion of the core EBITDA margin. Medium-term expectations are also confirmed: Growth in line with the market with the ambition to outgrow (in LC). This will happen by means of continued robust organic growth and through the acquisition of other companies, sites and businesses.

Contact

Media:

Peter A. Gehler
Chief Communications Officer
peter.gehler@siegfried.ch
Tel. +41 62 746 11 48
Mobile +41 79 416 41 16

Financial Analysts:

Dr. Reto Suter
Chief Financial Officer
reto.suter@siegfried.ch
Tel. +41 62 746 11 35

Siegfried Holding AG
Untere Bruehlstrasse 4
CH-4800 Zofingen

This media release on the web

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report.siegfried.ch

About Siegfried

The Siegfried Group is a global life sciences company with sites in Switzerland, the USA, Malta, China, Germany and France. In 2019, the company achieved sales of 833.5 million Swiss francs and currently employs about 2500 people at nine sites on three continents. Siegfried Holding AG is publicly listed on SIX Swiss Exchange (SIX: SFZN).

Siegfried is active in manufacturing pharmaceutical APIs (and their intermediates) as well as drug products (tablets, capsules, sterile vials, ampoules, and cartridges) for the pharmaceutical industry and provides development services.

Cautionary Statements Regarding Forward-Looking Statements

This media release includes statements concerning the future. They are based on assumptions and expectations that may prove to be wrong. They should be considered with due caution as, by definition, they contain known and unknown risks, insecurities and other factors which could result in a difference in the actual results, financial situation, developments or the success of Siegfried Holding AG or Siegfried Group from the explicit or implicit assumptions made in these statements.