

Well on track in challenging times: Siegfried continues to grow in H1 2020

Media and analyst conference call

Zofingen – 20 August 2020

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Q&A

Siegfried remains on track also in H1 2020 (1/2): Siegfried coped well with the COVID-19 challenge and continued to grow

- › Siegfried has been continuously operational with some minor interruptions and has maintained its growth momentum – topline growth and thus profitability below pre-COVID-19 expectations:
 - Net sales of CHF 388.1m (+2.2% in LC, -1.5% in CHF)
 - Core EBITDA of CHF 58.1m (CHF 66.3m) and Core EBITDA margin of 15.0% (16.8%)
 - Increase of free cash flow to CHF 17.1m (+16.3%)
-
- › The COVID-19 challenge to Siegfried:
 - While overall robust and growing, increased volatility in demand of specific product groups
 - While continuously operational, increased volatility in technical operations and thus production output from:
 - Delays in supply chain due to lockdown measures
 - Reduced availability of workforce from increased absentee rates (quarantine)
 - Delays in maintenance repairs by third-party providers due to lockdown measures
 - Selectively, increased raw material prices from temporary shortages

Siegfried remains on track also in H1 2020 (2/2): Outlook for full year confirmed – despite uncertain macro environment due to COVID-19

- › Business model intact with positive outlook – and thus no change to short-term CapEx plans:
 - Leadership development program (“Siegfried Academy”) kicked off
 - Micronization facility (Evionnaz) executed, operational in H2 2020
 - High-pressure hydrogenation facility (Zofingen) executed, operational since early 2020
 - New aseptic filling lines to be installed end of 2020 and 2021 (Hameln and Irvine)
 - Stepwise increase of overall OSD capacity started in 2020 (Malta)
 - Selective debottle-neckings on all drug substances sites
 - › Strategic site master planning for the entire network: Siegfried will continue to invest in new plants, technologies and people in order to prepare for continued mid to long-term growth
-
- › Despite uncertain macro environment and with significantly limited predictability (COVID-19), outlook for full year 2020 unchanged: Low single-digit percentage growth of sales (in LC) and slight expansion of Core EBITDA margin
 - › Mid-term outlook confirmed: Profitable organic growth in line with market (in LC) – with the ambition to outgrow including selective and value accretive M&A

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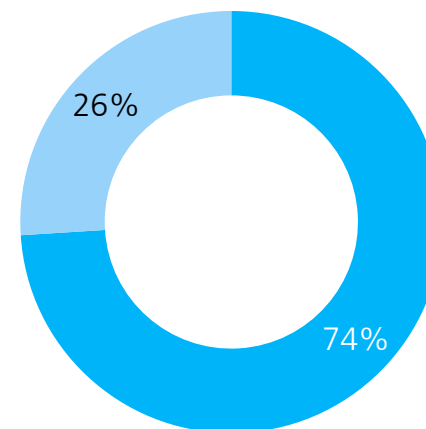
Q&A

Maintaining growth momentum: Siegfried grows on top line (in local currencies)

CHF million	H1 2020	H1 2019	Change
Drug Substances	290.2	299.1	- 3.0% (+ 0.7% in LC ¹)
Drug Products	97.9	94.8	+ 3.2% (+ 6.7% in LC ¹)
Total	388.1	393.9	- 1.5% (+ 2.2% in LC¹)

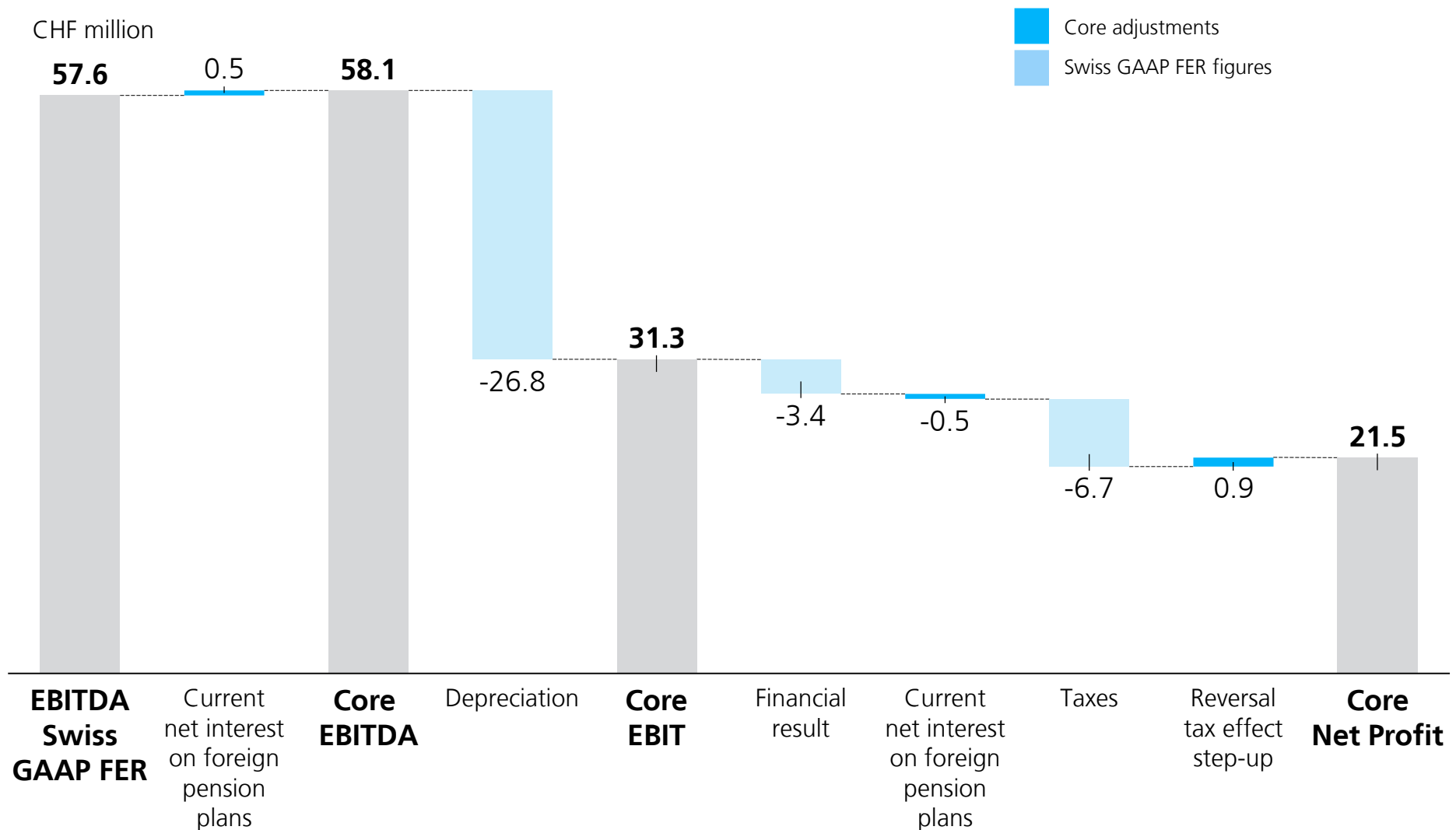
- > Most of COVID-19 effects in Drug Substances
- > Strong currency headwind from both EUR and USD, good natural hedge

Net sales split H1 2020



■ Drug Substances ■ Drug Products

Reconciliation of Swiss GAAP FER EBITDA to Core Net Profit: Small and recurring adjustments

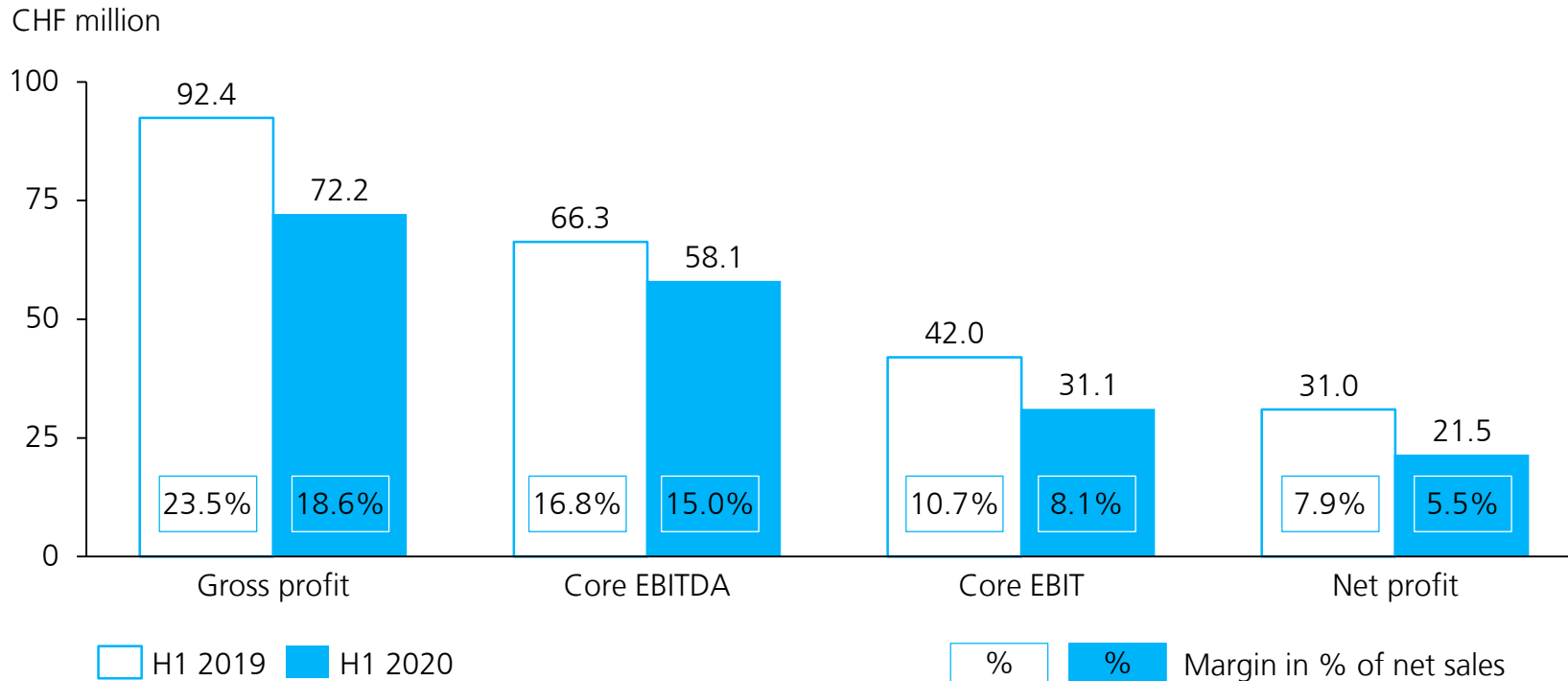


Consolidated Core Income Statement:

Despite COVID-19, profitability has been kept at a good level

In 1000 CHF	1. Halbjahr 2020	1. Halbjahr 2019
Core result		
Net sales	388 072	393 944
Cost of goods sold	-315 895	-301 518
Gross profit	72 177	92 426
Marketing and sales costs	-7 342	-8 877
Research and development costs	-14 402	-20 192
Core administration and general overhead costs	-21 484	-23 596
Other operating income	2 330	2 291
Income of associated companies	-9	-5
Core EBIT (operating result)	31 270	42 047
Financial income	108	18
Core financial expenses	-2 054	-2 536
Exchange rate differences	-1 943	-665
Core profit before income taxes	27 381	38 864
Core income taxes	-5 866	-7 899
Core net profit	21 515	30 965
Depreciation	26 785	24 204
Core EBITDA	58 055	66 251
Core non-diluted earnings per share (CHF)	5.21	7.47
Core diluted earnings per share (CHF)	5.06	7.29

Profit levels and margins: Impacted by COVID-19, partially compensated by SG&A savings



Stronger cash generation: Operating cash flow grows by 8.4%

CHF '000	H1 2020	H1 2019
Operating cash flow before changes in NWC	65 474	72 539
Change in NWC	-20 474	-31 022
Operating cash flow	45 000	41 517
Purchase of Property, Plants and Equipment (PPE) and intangibles (net)	-27 902	-26 844
Other investing activities, acquisitions	109	15
Cash flow from investing activities	-27 793	-26 829
Free cash flow	17 098	14 673
Cash flow from financing activities	-1 614	-36 505
Treasury shares	-342	3 509
Net change in cash	15 251	-18 308

Significant increase of operating cash flow due to improvements in NWC, despite strategic purchasing initiatives

Risk management of supply chain and procurement: Acting strategic, risk-based and adding value to customers

- > Started to assess and act upon single sourcing risks already two years ago
- > Assessed supply chain risk from a value perspective and acted decisively, on the level of the individual materials:
 - Purchase safety stock to completely insulate from sourcing risk
 - Purchase early to allow for delays
 - Do nothing
- > Focus not only on raw materials, but also personal protection equipment and glassware



COVID-19 as catalyst for organizational development – significant and quick step-up of procurement function

First call date of hybrid bond coming up: Intention to call and fully redeem

- > CHF 100m 3.50 Siegfried 15-99 has a first call date on 26 October 2020
 - > Intention is to exercise call right and to redeem hybrid bond in full
 - > Funded by draw-down on the new and extended revolving credit facility (RCF)
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- > Significant cash savings on the hybrid bond's coupon versus interest on the RCF; inclusion of the interest in financial expenses
 - > Moderate increase of Net Debt / EBITDA ratio
 - > Ability to fund future acquisitions not affected

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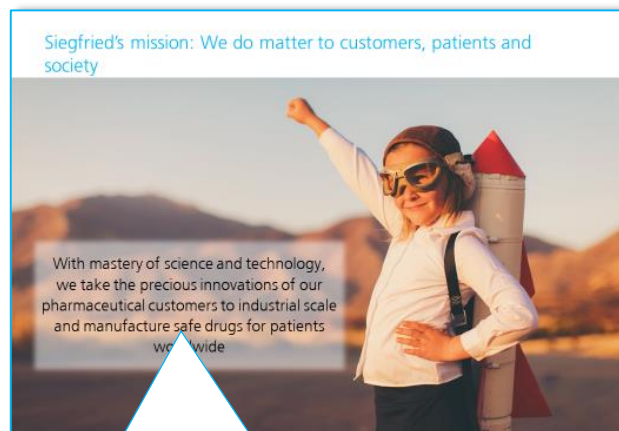
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Encouraged by the support of our stakeholders: What we did – and will do – to be safe and keep Siegfried on track in challenging times



We ACT responsibly and reliably



We CONTINUE to manufacture safe drugs for patients worldwide



We REMAIN determined to be successful

Protecting our people and ourselves:

- Pandemic Crisis Plan incl. Corporate Crisis Team (CCT) w/ ext. experts and local Corona Crisis Subteams (CCS)
- Strict COVID-19 guidelines on hygiene, physical distancing, quarantine, home office, tracing, testing
- Support of health sector w/ disinfectants
- Exempt status in almost all legislations: “Siegfried is systemically relevant”
- Closely monitor / actively manage operations, supply chain, inventory
- Vast majority of tech ops employees continuously on site, home office for administrative employees in the early phase of the pandemic only
- Even in reasonable worst case COVID-19 scenarios, Siegfried remains financially robust and stable
- Despite general slowdown of business environment, Siegfried was able to win attractive new business and initiate a potential new strategic partnership
- Currently, manufacturing of different aseptic COVID-19 vaccine candidates under evaluation

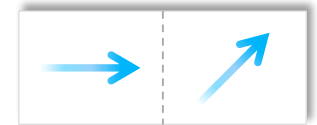
The COVID-19 challenge to Siegfried: Dimensions to reflect upon for running our business under the “new normal”

Dimensions of potential impact

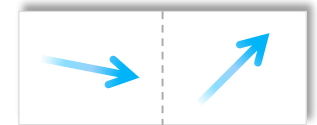
Short term | Long term



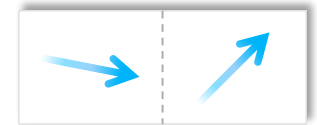
> Markets and demand



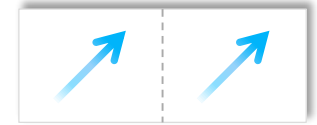
> Operations and general course of business



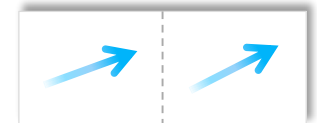
> Financials: Sales, profitability, capital efficiency



> Business model and strategy



> Regulatory and political measures



Siegfried's strategy EVOLVE unchanged: Drive organic and external growth by executing a set of independent strategic initiatives

Investments in technology base and existing network



- > Strengthening technology base in small molecule manufacturing
- > Organic expansion into large molecules: Aseptic fill & finish as well as formulation development for large molecules ("biologics")
- > Investments in capacity to de-bottleneck and release hidden capacity and add new capacity on existing sites

Acquisitions in Drug Products



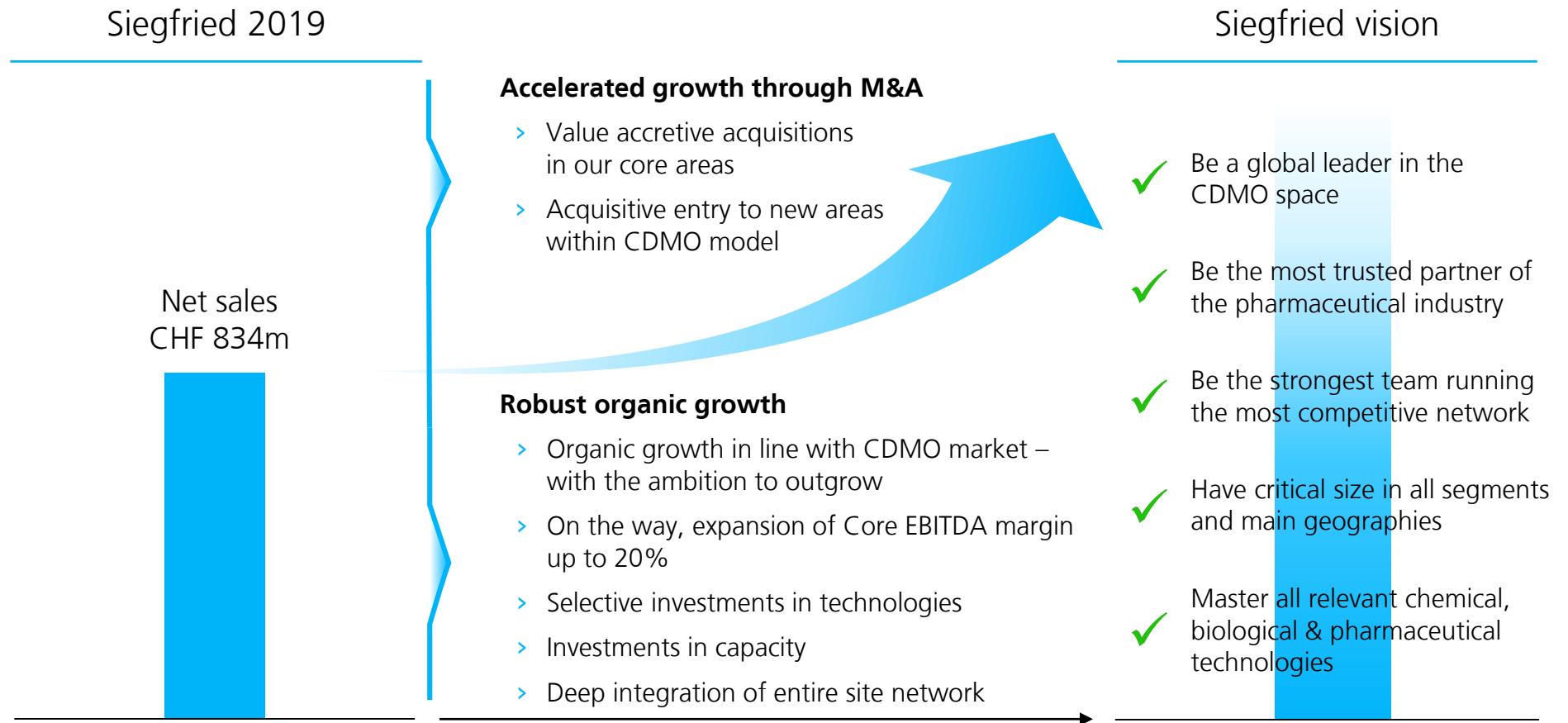
- > Acquisitive growth in oral solid dosage form and sterile/aseptic filling capacities in Europe and the US to reach critical scale

Acquisitions in Drug Substances



- > Continue acquisitive growth in small molecule DS
- > Depending on opportunity, acquire small-scale biologics DS manufacturing assets

Siegfried's ambition unchanged: Consistently deliver robust organic growth and execute value accretive M&A to outgrow market



Outlook for full year 2020: Despite macro uncertainty and with limited predictability (COVID-19), low single-digit percentage sales growth (in LC) with slight expansion of Core EBITDA margin – mid-term outlook confirmed

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Questions & answers



Financial reporting on full year 2020

24 February 2021 in Zurich

10.30 a.m. Media representatives

2.00 p.m. Financial analysts



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more