

PRESS RELEASE

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Subject Galenica Group half year results 2016

Galenica reports double-digit profit growth in the first half of 2016

In the first half of 2016, the Galenica Group increased consolidated net sales by 12.1% to CHF 2,009.3 million. Net profit before deduction of minority interests rose by 23.3% to CHF 194.6 million and net profit after deduction of minority interests rose by 21.5% to CHF 158.9 million. On a comparable basis – without accounting components of IAS 19 – net profit before deduction of minority interests rose by 23.5% to CHF 201.7 million and net profit after deduction of minority interests increased by 21.8% to CHF 166.0 million.

Cash tender launched for shares of Relypsa:

It was announced at the end of July 2016 that a definitive agreement had been signed to acquire the US company Relypsa, Inc. Under the terms of the takeover agreement, on 4 August 2016, Galenica launched a cash tender offer at USD 32.00 per share, equivalent to a total of approximately USD 1.53 billion. The transaction brings Vifor Pharma a dedicated US sales organisation and worldwide rights to Veltassa[®], a potassium binder for the treatment of hyperkalaemia.

Confirmation of planned division of the Group in 2017:

The acquisition of Relypsa affirms the commitment of the Board of Directors to divide the Galenica Group into two independent listed companies.

Guidance 2016:

After a solid first half year, Galenica Santé confirms its target to increase EBIT 2016 over the previous year on a comparable basis.

Due to the excellent momentum in the first six months of 2016, Vifor Pharma is raising its former guidance in respect of the 2016 EBIT on a comparable basis, which is expected now to increase by approximately 10% compared to the previous year.

Likewise, Galenica Group net profit is expected to increase by approximately 10% on a comparable basis both before and after minority interests.

However, due to the significant but planned investment required to ramp-up sales of Veltassa[®] in the USA in the newly acquired business of Relypsa, the combined 2016 EBIT of Vifor Pharma is expected to reduce by approximately CHF 80 million and the 2016 Galenica net profit by approximately CHF 90 million both before and after deduction of minority interests on the assumption that Relypsa will be consolidated as of October 2016.

Vifor Pharma

In recent months, Vifor Pharma has become increasingly dynamic. Ferinject[®] increased sales by 45.7% to CHF 163.3 million. All major markets contributed to this, notably the important US market (+102.2%). This confirms the focus on the indications of nephrology, cardiology and gastroenterology. In addition, a number of new partnerships have been established: following its successful launch in the USA in mid-2015, Mircera[®] contributed sales of CHF 153.2 million in the first half of 2016 alone, with the prospect of further growth in the second half of 2016.

Galenica Santé

Galenica Santé tapped its potential in the first half of 2016 with its Products & Brands, Retail, and Services Business sectors. Products & Brands achieved an important first step with the agreement with Pierre Fabre to exclusively distribute A-Derma products in Switzerland. The Retail pharmacy formats Amavita, Sun Store and Coop Vitality are differentiating themselves in the market with new services. Services will be able to strengthen its position with dispensing doctors with the planned acquisition of Pharmapool, and is already equipped to handle larger volumes thanks to the expansion in Niederbipp.

EBIT, EBITDA and consolidated net profit of the Galenica Group

(in million CHF)	1 st half year 2016	1 st half year 2015 ¹⁾	Change in %
Vifor Pharma	185.2	144.7	+28.0
Galenica Santé	66.1	63.8	+3.7
- Health & Beauty	47.5	44.2	+7.5
- Services	20.6	19.3	+6.6
Eliminations Galenica Santé	(2.0)	0.3	-
Corporate and eliminations	(10.0)	(7.7)	-
EBIT	241.3	200.8	+20.2
EBITDA	290.7	240.3	+21.0
Net profit	194.6	157.8	+23.3
Attributable to:			
- Shareholders of Galenica Ltd.	158.9	130.8	+21.5
- Minority interests	35.7	27.0	+32.1

¹⁾ The segment information disclosed in the interim financial statements 2015 has been restated to reflect the new management structure implemented in the second half of 2015

GALENICA GROUP

In the first half of 2016, the Galenica Group increased consolidated net sales by 12.1% to CHF 2,009.3 million. Net profit before deduction of minority interests rose by 23.3% to CHF 194.6 million and net profit after deduction of minority interests increased by 21.5% to CHF 158.9 million. On a comparable basis – without accounting components of IAS 19 – net profit before deduction of minority interests rose by 23.5% to CHF 201.7 million and net profit after deduction of minority interests increased by 21.8% to CHF 166.0 million.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 21.0% to CHF 290.7 million and operating result (EBIT) by 20.2% to CHF 241.3 million. On a comparable basis EBITDA grew by 21.2% to CHF 299.2 million and EBIT by 20.5% to CHF 249.9 million.

The accounting components of IAS 19 only impacted the consolidated earnings of the Group, and not the earnings of the Business sectors.

As part of ongoing and new projects investments in research and development amounted as planned to CHF 48.9 million (previous year: CHF 39.8 million). Investments in tangible and intangible assets including upfront and expected milestone payments of CHF 124.3 million (previous year: CHF 154.8 million) totalled CHF 162.5 million (previous year: CHF 188.6 million).

Relypsa acquisition

Under the terms of the takeover agreement, on 4 August 2016, Galenica launched a tender offer to the shareholders of Relypsa at USD 32.00 per share for all issued and outstanding Relypsa common stock. The implied fully-diluted equity value of the offer amounts to approximately USD 1.53 billion. Galenica has secured committed bridge loan financing from Credit Suisse which, in addition to the Galenica existing cash and cash equivalents, is available to finance the transaction.

Galenica plans to refinance a portion of the bridge loan through equity proceeds to be raised in conjunction with the envisaged division of the Group in the course of 2017, either through an IPO of Galenica Santé or through another option such as an equity increase. Galenica intends to raise sufficient equity to maintain implied investment-grade ratings at both Vifor Pharma and Galenica Santé in the medium-term after the division of the Group.

Subject to customary conditions, including the tender of the majority of the outstanding Relypsa shares and the expiration or earlier termination of the waiting period under the Hart-Scott-Rodino Anti-trust Improvements Act of 1976, the transaction is expected to close during the third quarter of 2016. Relypsa is expected to be delisted from the NASDAQ and integrated into Vifor Pharma thereafter.

Update on Galenica Group guidance

The Galenica Group expects that net profit will increase by around 10% year-on-year on a comparable basis both before and after deduction of minority interests. However, due to the significant but planned investment required to ramp-up sales of Veltassa[®] in the USA in the newly acquired business of Relypsa, the 2016 Galenica net profit is expected to reduce by approximately CHF 90 million both before and after the deduction of minority interests. This is on the assumption that Relypsa is consolidated as of October 2016.

VIFOR PHARMA

Vifor Pharma demonstrated strong momentum in the first half of 2016. Total net sales increased to CHF 550.6 million, up 42.4% from the previous year. Adjusted for currency effects, the increase was 40.8%. The distribution agreement with Roche for Mircera[®] reached at the end of May 2015 contributed substantial sales of CHF 153.2 million (+242.9%). Income from licensing fees for CellCept totalled CHF 44.3 million compared to CHF 44.5 million in the first half of 2015. Earnings before interest and taxes (EBIT) rose by 28.0% to CHF 185.2 million, while return on sales (ROS) amounted to 33.6%.

During the reporting period Vifor Pharma expanded its portfolio of products by concluding further licensing and commercialisation agreements, including a licensing contract with the Pfizer company Hospira for Retacrit[™] for the US dialysis market. Retacrit[™] is currently being reviewed by the US Food and Drug Administration (FDA). In addition, Vifor Pharma licensed rights from ChemoCentryx, Inc., to commercialise CCX168, a Complement 5a Receptor (C5aR) inhibitor ready for phase III development for orphan and rare renal diseases, in Europe, Canada, Mexico, Central and South America and South Korea.

Vifor Fresenius Medical Care Renal Pharma, a common company of Galenica and Fresenius Medical Care, also entered into a collaboration and licensing agreement with OPKO Health to develop and commercialise modified-release calcifediol capsules ("Calcifediol"; US brand name: RAYALDEE[®]) for the treatment of secondary hyperparathyroidism in patients with chronic kidney disease (CKD) and Vitamin D deficiency. In June 2016, the FDA approved the new drug application (NDA) for RAYALDEE[®]. OPKO Health plans to launch the product in the USA in the second half of 2016.

Rx products Vifor Pharma

Global net sales of the leading iron replacement product **Ferinject[®]/Injectafer[®]** were up by 45.7% reaching CHF 163.3 million in the first six months of 2016. In the USA, 101.3% more units were sold in the first six months of 2016 on a year-to-year basis. The US partner Luitpold Pharmaceuticals, Inc.

achieved sales in the USA of USD 95.8 million in the first half year 2016, resulting in net sales of CHF 32.2 million for Vifor Pharma. The number of units sold (100 mg) increased worldwide by 61%. Growth was particularly strong in Italy (+90%), Spain (+45%) and Australia (+50%); all major European markets achieved double-digit growth rates. In Switzerland, 11% more 100 mg units of Ferinject[®] were sold than in the previous year. For the full year 2016, IMS projected data suggest Ferinject[®]/Injectafer[®] is likely to generate total global market sales in the range of CHF 500 to 550 million.

In the first half year 2016, the distribution agreement with Roche for **Mircera[®]** generated sales of CHF 153.2 million (+242.9%), with the prospect of further growth in the second half of 2016.

The phosphate binder **Velphoro[®]** achieved net sales of CHF 21.9 million, with positive sales development continuing in the USA. At the end of June 2016, Velphoro[®] was available in 21 countries and registered in 37.

In the first half year 2016, **Venofer[®]** generated net sales of CHF 62.0 million (+14.6%), surpassing the previous year's level. Venofer[®] showed a good performance mainly in the US nephrology market.

Net sales Rx products

in million CHF	1 st half year 2016	1 st half year 2015	Change in %
Intravenous (i.v.) iron replacement products			
Ferinject [®] and Injectafer [®]	163.3	112.1	+45.7
of which Injectafer [®] USA	32.2	15.9	+102.2
Venofer [®]	62.0	54.1	+14.6
Other iron replacement products	34.1	32.5	+5.0
of which Maltofer [®]	29.4	26.8	+9.7
Erythropoietin (ESA/EPO)			
Mircera [®]	153.2	44.7	+242.9
Phosphate binder			
Velphoro [®]	21.9	14.3	+53.1
Other Rx products	41.4	36.5	+13.5
Revenues and licence fee income			
CellCept	44.3	44.5	-0.6

Update on guidance for Vifor Pharma

Due to the excellent momentum in the first six months of 2016, Vifor Pharma is raising its former guidance in respect of the 2016 EBIT on a comparable basis, which is expected now to increase by approximately 10% compared to the previous year.

However, due to the significant but planned investment required to ramp-up sales of Veltassa[®] in the USA in the newly acquired business of Relypsa, the combined 2016 EBIT of Vifor Pharma is expected to reduce by approximately CHF 80 million. This is on the assumption that Relypsa is consolidated as of October 2016.

GALENICA SANTÉ

Galenica Santé leveraged its potential in the first half of 2016, thus highlighting its ambition to be the first choice in Switzerland for health, beauty and wellbeing. Despite pressure on drug prices and consumer tourism driven by exchange rates, Galenica Santé grew its net sales on a comparable basis in the first half by 3.7% to CHF 1,487.1 million and increased its operating result (EBIT) by 3.7% to CHF 66.1 million. The sales growth is all the more pleasing given that this year's flu epidemic was milder than in the previous year, leading to lower sales of flu medicines. The shortfall was more than made up for thanks to customer acquisitions, pharmacy network expansion and sales growth in high-priced medicines. However, as regards medicine prices, it should be noted that margins in the Retail and Services Business sectors are very low due to government measures. Return on sales (ROS) amounted to 4.4%.

In the first half of 2016, the **Health & Beauty segment** increased net sales on a comparable basis by 5.4% to CHF 709.2 million. The operating result (EBIT) improved by 7.5% to CHF 47.5 million. Return on sales (ROS) grew year-on-year to reach 6.7%.

At the beginning of 2016, the **Products & Brands Business sector** successfully launched the new analgesic Algifor[®] Liquid caps 400. In the middle of the year, an agreement for the exclusive distribution of A-Derma products in Switzerland was signed with the world's second-largest dermo-cosmetics laboratory Pierre Fabre. Distribution agreements signed with Procter & Gamble in 2015 also led to pleasing sales figures in the first half of 2016. In a market under volume pressure, on a comparable basis, the Products & Brands Business sector achieved net sales of CHF 47.9 million, up 7.2% from the previous year.

The sales growth in the **Retail Business sector** of 3.6% to CHF 662.5 million in the first half of 2016 reflects opposing trends. The increase is mainly based on the acquisition of new customers and an increase in high-priced medicines. The addition of ten new locations also significantly reinforced the pharmacy network; in mid-2016, this comprised 328 own and 168 partner pharmacies. However, the flu season was milder year-on-year, resulting in lower sales of medicines than in the previous year. Also, consumer tourism and pressure on prices from retailers resulted in a decline in sales at shopping centres and in the pharmacies' health and wellbeing segment.

The **Services segment** sustained momentum in the first half of 2016, making progress in both volumes and efficiency. Net sales increased by 3.3% to CHF 1,148.4 million, and operating result (EBIT) by 6.6% to CHF 20.6 million. Return on sales (ROS) amounted to 1.8%. A milder flu season than last year was more than offset by gaining new customers and continuing range expansion. Increasing regulation, such as the now binding EU GDP Guidelines for Good Distribution Practice of Medicinal Products for Human Use, demands comprehensive solutions, which the Services segment is well-equipped to provide. The expansion of the distribution centre in Niederbipp is progressively becoming fully operational over the course of summer 2016.

In May 2016, Galenica presented a takeover bid to the shareholders of the physician wholesaler Pharmapool. This reinforcement of the logistics business should complement and strengthen Galaxis, particularly in the area of self-dispensing physicians. Subject to approval from shareholders and the Swiss Competition Commission (COMCO), the transaction should be finalised by the end of 2016.

Confirmation of guidance for Galenica Santé

After a solid first half year, Galenica Santé confirms its target to increase EBIT 2016 over the previous year on a comparable basis.

For further details, please see the Galenica Group half year report 2016. The PDF version is available on the Galenica website at:

[Download half year report 2016](#)

Conference call and webcast

Galenica will host a conference call and webcast today, Tuesday, 9 August 2016, at 3:00 p.m. (CET) for analysts, investors and the media. To access the conference call (the call will be held in English) please dial

- Switzerland: +41 (0)22 567 54 31
- USA: +1 646 254 3361
- Other countries: +44 (0)20 3427 1900

The call will also be webcast and accessible through the Investors section of the company's website at www.galenica.com.

Replay

A telephone replay will be available from approximately 6:00 p.m. CET on 9 August 2016 until midnight on 7 September 2016. To access a replay of the conference call, dial

- Switzerland: +41 (0)22 592 75 53
- USA: +1 347 366 9565
- Other countries: +44 (0)20 3427 0598

The webcast replay will also be available at www.galenica.com approximately 6:00 p.m. CET on 9 August 2016 for a period of one month.

The pass code for the live call and the replay is 8539413.

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***Galenica** is a diversified Group active throughout the healthcare market which, among other activities, develops, manufactures and markets pharmaceutical products, runs pharmacies, provides logistical and database services and sets up networks. With its two Business units Vifor Pharma and Galenica Santé, the Galenica Group enjoys a leading position in all its core business activities. A large part of the Group's income is generated by international operations. Galenica is listed on the Swiss Stock Exchange (SIX Swiss Exchange, GALN, security number 1,553,646).*

Additional information concerning the Galenica Group can be found at www.galenica.com.