

PRESS RELEASE

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 Subject 2017 sales of the Galenica Group

Galenica 2017: pleasing sales growth – earnings guidance confirmed

In the first financial year following the IPO, the Galenica Group saw encouraging growth: it increased consolidated net sales by 6.8% to CHF 3,214.2 million, thus clearly outperforming the market.

The drivers of the sales growth were the expanded pharmacy network and the outstanding performance of the specialty pharmacy Mediservice, the launch and continued development of own and partner brands and products, the successful integration of Pharmapool, and the acquisition of new customers and partners.

Galenica confirms the forecasts for financial year 2017 announced in August with the half-year report 2017, i.e. growth in EBIT (excluding the effects of IAS 19) of between 7% and 12% compared with the previous year, including the one-off effects of CHF 7.0 million. Consequently, the outlook regarding dividends also remains unchanged, and Galenica aims to propose a dividend payment of CHF 80 million to the 2018 Annual General Meeting.

Net sales Galenica Group 2017

(in million CHF)	2017	2016 ¹⁾	Change ¹⁾
Health & Beauty segment	1,483.5	1,437.0	+3.2%
- Retail	1,390.1	1,348.6	+3.1%
- Products & Brands	94.7	89.3	+6.0%
Services segment	2,501.8	2,328.9	+7.4%
Corporate and eliminations	(771.1)	(757.0)	
Galenica Group	3,214.2	3,008.9	+6.8%

¹⁾ In view of the IPO on 7 April 2017, the Business unit Galenica Santé of the former Galenica Group restated the financials as of 2014 as if the unit had been a standalone entity (combined financial statements 2014–2016). These combined financial statements form the basis for comparison with the figures for the previous year.

GALENICA GROUP

Pleasing sales growth in challenging market environment

Driven by increasing sales of high-priced medications, the Swiss pharmaceutical market grew by 4.5% in 2017 despite a slight fall in volumes (–0.7%, IQVIA, until November 2017). However, the market for beauty and care products declined over the same period.

The market environment was and remains challenging. Ongoing shopping tourism, growing online shopping and frequency decline in shopping centres are features of the Swiss retail market.

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Nevertheless, the Galenica Group managed to increase net sales by 6.8% to CHF 3,214.2 million, thus outperforming the market. The drivers of the sales growth were the expanded pharmacy network and the outstanding performance of the specialty pharmacy Mediservice, the launch and continued development of own and partner brands and products, the successful integration of Pharmapool, and the acquisition of new customers and partners.

Corporate Executive Committee strengthened

In December 2017, as has already been announced, Daniele Madonna, Head of Coop Vitality pharmacies, assumed responsibility for the Retail Business sector, taking over from Jean-Claude Cléménçon who is now able to focus fully on his duties as CEO Galenica Group. As Head Retail, Daniele Madonna is a member of the Corporate Executive Committee.

HEALTH & BEAUTY SEGMENT

The Health & Beauty segment, comprising the Retail and Products & Brands Business sectors, increased net sales year-on-year in financial year 2017 by 3.2% to CHF 1,483.5 million.

RETAIL

The Retail Business sector increased net sales in 2017 by 3.1% year-on-year to CHF 1,390.1 million (excluding Coop Vitality). By way of comparison, sales of medications (Rx and OTC products) in the Swiss pharmacy market as a whole rose by 2.6% until end of November 2017 (IQVIA, Swissmedic therapeutic products lists A, B, C, D). By contrast, sales of other products (non-medications) declined by 3.0% (IQVIA, personal, patient care and nutrition, until September 2017).

Although the volume of high-priced medications increased further, the pharmacy market posted slowed growth compared to other segments. Contributing factors were ongoing shopping tourism in neighbouring countries, the switch to online shopping and frequency decline in many shopping centres.

Growth thanks to expansion of the pharmacy network, the specialty pharmacy Mediservice and new products

The number of own pharmacies increased during 2017 to a total of 337 locations (previous year: 329). Together with the Amavita and Winconcept partner pharmacies, the Galenica pharmacy network comprised some 500 points of sale throughout Switzerland as of the end of 2017.

The increase in the number of pharmacies accounted for 1.1% of the sales increase. On a comparable basis, sales increased by a total of 2.0%. In addition to the expansion of the pharmacy network, other growth drivers were the increase in high-priced special medications dispensed by Mediservice and the successful launch of new partner products and brands such as Lierac or Phyto. The development of the A-Derma product line launched in 2016 was also very encouraging.

Service quality and range enhanced with new services

The Galenicare pharmacy formats introduced new services in 2017, such as the Diabetes Check at Amavita and Sun Store and the Ear Check at Coop Vitality.

The service quality and range were also enhanced with the new Click & Collect online offering in the e-shops at Amavita, Sun Store and Coop Vitality. Click & Collect allows customers to order products conveniently with the click of a mouse and collect them from the pharmacy of their choice. The offering covers around 10,000 products (as of the end of 2017), including non-prescription (OTC) medications, as well as perfumes, cosmetics and healthcare products. Additionally, there are prescription medications which can be ordered via Prescription Upload.

Winconcept carried out initial audits during the year under review via the in-house quality management system Process One. A quality label is awarded if 70% of the audit objectives are met, enabling Winconcept partners to enhance their position with customers. The number of Winconcept partner pharmacies decreased slightly to 152 in 2017, notably as some partners sought successors and sold their pharmacies.

Mediservice, which specialises in medication provision and treatment support for patients with chronic and rare illnesses, grew by more than 20% in 2017. This outstanding performance was spurred by the growing proportion of high-priced medications dispensed more and more centrally by Mediservice within the Retail Business sector, as well as by the general increase in demand for the services it offers. During the year under review, Mediservice was certified according to ISO 9011:2015, which includes new and stricter quality regulations. Treatment of these patients beyond in- and out-patient care at hospitals and medical institutions is becoming increasingly important, as is the dispensing of special medications accompanied by specific pharmaceutical services.

Acquisition of Careproduct

At the beginning of 2018, Galenica took over Careproduct, a company supplying walking frames, wheelchairs, incontinence products and other aids both online and offline. The range is geared in particular to older people and people with a disability who want to maintain or improve their mobility level. With Careproduct, the Retail Business sector can expand its customer offering and strengthen its market position with respect to online sales.

Own pharmacies and shareholdings

	31.12.2017	31.12.2016	Change
Amavita pharmacies ¹⁾	157	150	+7
Sun Store pharmacies ¹⁾	97	99	-2
Coop Vitality pharmacies ²⁾	75	69	+6
Mediservice speciality pharmacy ¹⁾	1	1	-
Majority holdings in other pharmacies ¹⁾	5	8	-3
Minority holdings in other pharmacies ²⁾	2	2	-
Total own points of sale	337	329	+8

¹⁾ Fully consolidated ²⁾ Consolidated at equity level

Independent partners

	31.12.2017	31.12.2016	Change
Amavita partnerships	8	9	-1
Winconcept partner pharmacies	152	158	-6
Total independent partners	160	167	-7

PRODUCTS & BRANDS

Despite challenging market conditions in 2017, the Products & Brands Business sector, mainly comprising the business activities of Vifor Consumer Health, achieved net sales of CHF 94.7 million (+6.0%). Thanks to the launch of new beauty products and higher sales of brands such as Trioфан[®], Products & Brands was able to increase net sales in Switzerland by 4.0% to CHF 76.4 million in a flat OTC market (+0.3%, IQVIA, until November 2017, Swissmedic OTC therapeutic products lists C and D). Export sales increased by 15.6% to CHF 18.3 million, with Anti-Brumm[®] in particular experiencing dynamic growth in Germany and a successful relaunch in Italy.

Strong OTC portfolio further expanded

The OTC portfolio was further expanded with the acquisition of the iconic Swiss brands Merfen[®] and Vita-Merfen[®] at the beginning of 2017. Vifor Consumer Health has been distributing Merfen[®] on the Swiss market since May 2017, thereby assuming a leading position in wound disinfection, one of the most important categories in consumer healthcare.

In addition, the systemic pain relief market leader Algifor[®] performed well despite a short flu season at the beginning of 2017. Trioфан[®] also maintained its strong market position as the number one nasal decongestant in Switzerland in 2017.

Growth with international health and beauty brands

In 2017, Adler Schüssler mineral salts were launched exclusively in Switzerland. Vifor Consumer Health also took over the distribution of Excilor[®], a leading brand in anti-fungal nail medication, and launched a new three-in-one protective spray.

The A-Derma skincare line has been a great success since its exclusive Swiss launch in 2016, and in 2017 the product range was extended to include a new range of suncare products. Exclusive distribution in Switzerland of the global brands Lierac (skincare) and Phyto (haircare), both from the French Alès Groupe, has been acquired and the brands have been successfully relaunched.

SERVICES SEGMENT

The Services segment generated net sales of CHF 2,501.8 million in 2017. The sales growth of 7.4% was mainly due to the successful integration of Pharmapool, which accounted for 6.3%. This was achieved in an overall market whose growth (4.5%, IQVIA, until November 2017) was driven especially by the sales performance of hospitals (+8.4%, IQVIA, until November 2017) as well as by high-priced special medications that are for the most part not supplied via wholesale but directly to specialist doctors (doctors: +5.4%, IQVIA, until November 2017).

Temperature-controlled logistics down to –80°C

In response to growing customer requirements, Alloga expanded internal capacity for refrigerated storage at 2–8°C by around a third. In addition, with the realisation of direct docking to the cold room, lorries can now deliver and collect their goods via direct access to the refrigerated zone.

Increasingly stringent legal requirements continue to impact temperature compliance demands when transporting medications. Alloga and Galexis both offer their customers an end-to-end supply chain for temperature-controlled transport. At Alloga, since autumn 2017, this also applies to so-called ultra-deep-freeze logistics, in other words storage and dispatch at –80°C, the required temperature for a new generation of cancer drugs.

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Successful acquisition of Pharmapool

With the acquisition of physicians' wholesaler Pharmapool at the beginning of 2017, Galexis expanded its offer to self-dispensing physicians. Thanks to its successful integration, Pharmapool also contributed to the growth of Services in the second half of the year.

Furthermore, in the spring, Galexis concluded exclusive agreements for the Swiss market with well-known providers of beauty products such as Clarins and Coty.

Medications for around 8,000 patients put into blister packs

As of the end of 2017, Medifilm – the leader in drug blister packaging – served around 8,000 patients throughout Switzerland, thus increasingly easing the burden of carers responsible for administering medications. The company continues to grow and moved into a new building in 2017, tripling the size of its production area.

Trend-setting eHealth offerings

Triapharm[®] pharmacy software from HCI Solutions which features, among other benefits, direct invoicing to health insurers, was introduced at Coop Vitality in 2017 as well. Consequently, all pharmacy formats of Galenica now operate on the same system, generating synergies.

Beginning in the fourth quarter of 2017, the Documedis[®] eMedication solution has been progressively introduced into hospitals in St. Gallen, while further systems and service providers are currently trialing its integration. The software module from HCI Solutions provides healthcare specialists with all the information they need when dispensing medications.

Dates for the diary:

The Galenica Group will present the results of the 2017 financial year on 13 March 2018.

The Annual General Meeting of Galenica Ltd. will take place on 9 May 2018 at the Kursaal in Bern.

The half-year report 2018 of the Galenica Group will be published on 7 August 2018.

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Galenica is the leading fully integrated healthcare provider in Switzerland. With nearly 500 own, joint venture and independent partner pharmacies, Galenica operates the largest network of pharmacies in Switzerland. In addition, Galenica further develops and offers well-known own brands and products, exclusive brands and products from business partners as well as a variety of on-site health services and tests for customers. Galenica is also the leading provider of pre-wholesale and wholesale distribution as well as database services in the Swiss healthcare market. Galenica is listed on the Swiss Stock Exchange (SIX Swiss Exchange, GALE, security number 36,067,446).

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