

PRESS RELEASE

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Subject Annual results of the Galenica Group 2017

Galenica 2017: IPO promises met Sales outperformed market – result improved significantly – balance sheet strengthened

With the publication of the first annual results following the initial public offering (IPO) of 7 April 2017, the Galenica Group has kept its promises and achieved the ambitious objectives for 2017 in a challenging market environment: sales grew significantly faster than the market, profitability was increased and the balance sheet strengthened. The Board of Directors of the Galenica Group will propose a dividend of CHF 1.65 per share to the Annual General Meeting on 9 May 2018. As planned, this corresponds to an expected dividend pay-out of CHF 80.9 million.

Pleasing performance in 2017

With sales growth of 6.8% to CHF 3,214.2 million, the Galenica Group clearly outperformed the Swiss pharmaceutical market (+4.2%, IQVIA 2017).

The operating result (EBIT) rose by 14.5% to CHF 141.8 million and, on a comparable basis (excluding the effects of IAS 19), grew by 10.5% to CHF 148.2 million. Included in this are one-off effects of CHF 7.0 million.

Galenica posted a net profit of CHF 118.9 million. On a comparable basis (excluding the effects of IAS 19), net profit was CHF 124.4 million. The net profit includes one-off effects of CHF 10.6 million.

Outlook 2018

With further drug price reductions, ongoing shopping tourism and generally stagnant development in Swiss retail, the Swiss healthcare market continues to be characterised by challenges. Nonetheless, the management of Galenica has also set ambitious objectives for 2018: Galenica is aiming for sales growth of 2% to 3% and an EBIT (excluding the effects of IAS 19) similar to that in 2017. Excluding the one-off effects of CHF 7.0 million in 2017, this corresponds to an operational increase of around 5%. Galenica also intends to propose a dividend at least at prior-year level to the 2019 Annual General Meeting.

Key figures for the Galenica Group, 2017

(in million CHF)	2017	2016 ¹⁾	Change ¹⁾
Net sales			
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%
EBIT adjusted²⁾			
Health & Beauty segment	99.7	93.5	+6.7%
Services segment	50.6	39.9	+26.7%
Corporate and eliminations	(2.1)	0.8	
Galenica Group	148.2	134.2	+10.5%
Net profit adjusted^{2) 3)}	124.4	92.1	+35.0%

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.

²⁾ Excluding the effects of IAS 19

³⁾ Not comparable with the previous year due to the different financing structure

GALENICA GROUP

Ambitious 2017 objectives achieved

The Galenica Group, which has around 6,400 employees, increased consolidated net sales by 6.8% to CHF 3,214.2 million in financial year 2017, thereby significantly outperforming the Swiss pharmaceutical market (+4.2%, IQVIA 2017). This growth was achieved due to the expanded pharmacy network as well as above-average growth by the specialty pharmacy Mediservice. Launches of own and partner brands and products, the successful integration of Pharmapool, and new customers and partners also contributed to the pleasing performance.

The operating result (EBIT) rose by 14.5% to CHF 141.8 million and, on a comparable basis (excluding the effects of IAS 19), grew by 10.5% to CHF 148.2 million. This includes one-off effects from the sale of the rights of the Triamed[®] medical practice software to Swisscom and of a non-operational building in Schönbühl (canton of Bern), which totalled CHF 7.0 million.

Galenica posted a net profit of CHF 118.9 million in 2017. On a comparable basis (excluding the effects of IAS 19), net profit was CHF 124.4 million. The net profit includes one-off effects of CHF 10.6 million. In addition to the CHF 6.3 million effect on net profit from the sale of Triamed[®] and a non-operational building in Schönbühl, there was a one-time tax gain of CHF 4.3 million from the revaluation of the provision for deferred taxes especially due to the decision to reduce the tax rate in the canton of Vaud from 2019.

Investments increased by 59.4% to CHF 55.8 million (previous year: CHF 35.0 million), primarily as a result of the acquisition of the Merfen® and Vita-Merfen® brands as well as work to implement the new ERP software that will gradually be rolled out at Alloga and Galexis over the next few years.

At the end of 2017, the Galenica Group had a strong and sustainable balance sheet; as a result, the equity ratio was 48% and the net debt coverage ratio 1.6 x EBITDA (excluding the effects of IAS 19).

Annual General Meeting 2018

At the Annual General Meeting on 9 May 2018, the Board of Directors of the Galenica Group will propose a dividend of CHF 1.65 per share. As planned, this corresponds to an expected dividend payout of CHF 80.9 million.

In addition, the Board of Directors will propose that Bertrand Jungo be elected to the Board of Directors. With over 26 years at department store Manor, 11 years of which as CEO, Bertrand Jungo's expertise will strengthen the Board of Directors' retail know-how.

HEALTH & BEAUTY SEGMENT

In 2017, the Health & Beauty segment generated net sales of CHF 1,483.5 million. The 3.2% increase in sales was primarily attributable to the strengthened pharmacy network, the strong growth of specialty pharmacy Mediservice and product portfolio expansion.

The operating result (EBIT) grew by 6.7% to CHF 99.7 million thanks to continuing improvements in efficiency. Return on sales (ROS) for the Health & Beauty segment increased to 6.7% (previous year: 6.5%) due, among other factors, to the acquisition and in-licensing of several brands. Investments totalled CHF 28.9 million (previous year: CHF 15.2 million) and were principally used for the acquisition of the brands Merfen® and Vita-Merfen®, the development and launch of new products and services, and for the rebuilding and renovation of pharmacies.

Retail

The Retail Business sector increased net sales in 2017 by 3.1% 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 2.3% in 2017 (IQVIA, Swissmedic therapeutic product lists A, B, C, D). By contrast, sales of other products (non-medications) declined by 3.5% (IQVIA, personal, patient care and nutrition). 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.

The number of own pharmacies increased during the year under review to a total of 337 locations (previous year: 329). 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%.

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 Triofan®, Products & Brands was able to increase net sales in Switzerland by 4.0% to CHF 76.4 million in a flat OTC market (-0.4%, IQVIA, Swissmedic OTC therapeutic product 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.

SERVICES SEGMENT

The Services segment generated net sales of CHF 2,501.8 million in 2017. Sales growth of 7.4% was due in particular to the successful integration of Pharmapool, which accounted for 6.3%. This was achieved in an overall market whose growth (+4.2%, IQVIA) was driven especially by the sales performance of hospitals (hospitals: +8.1%, IQVIA) as well as by high-priced special medications that are for the most part not supplied via wholesale but directly to specialist doctors (doctors: +4.9%, IQVIA). The operating result (EBIT) improved by 26.7% to CHF 50.6 million. Included in EBIT are one-off positive effects from the sale of the rights of the Triamed® medical practice software to Swisscom and the sale of a non-operational building in Schönbühl (canton of Bern), which totalled CHF 7.0 million. Return on sales (ROS) was 2.0%. Excluding the one-off effects mentioned, ROS remained unchanged from the previous year at 1.7%.

Investments amounted to CHF 27.0 million (previous year: CHF 20.2 million). The increase on the previous year was used notably to finance the new ERP software that will progressively be rolled out at Alloga and Galaxis over the next few years.

Further information can be found in the 2017 annual report of the Galenica Group. The PDF version is available on the Galenica website:

[Download annual report 2017](#)

OUTLOOK 2018

GALENICA GROUP

With further drug price reductions, ongoing shopping tourism and generally stagnant development in Swiss retail, the Swiss healthcare market continues to be characterised by challenges. Nevertheless, the management of Galenica has also set ambitious objectives for 2018:

- Sales growth of 2% to 3%;
- An operating result (EBIT, excluding the effects of IAS 19) similar to that in 2017. Excluding the one-off effects of CHF 7.0 million in 2017, this corresponds to an operational increase of around 5%;
- Proposal of a dividend at least at prior-year level to the 2019 Annual General Meeting.

Galenica will continue to press ahead systematically with the initiatives and projects launched in 2017 while at the same time developing the three development axes – expansion, innovation and efficiency – further.

RETAIL

Acquisition of “Bahnhof Apotheke” pharmacy in Zurich main station

Galenicare is fully acquiring the “Bahnhof Apotheke” pharmacy in Zurich main station with effect from 1 July 2018. In doing so, it is integrating the pharmacy with the highest sales figures in Switzerland into its pharmacy network, which it is expanding with an extremely successful and strategically well positioned location.

Galenica purchased a 49% stake in the “Bahnhof Apotheke” pharmacy in Zurich main station back in 2013 with the intention of acquiring a majority stake in due course in the context of succession planning.

Further development and positioning of e-shop offering

In January 2018, Galenicare took over Careproduct, a company supplying walking frames, wheel-chairs, 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.

The further development and positioning of e-shops, as well as further growth with existing and new pharmacies, are additional drivers for expansion in Retail. The product offering on the Click & Collect platform at Amavita, Sun Store and Coop Vitality will therefore be continually expanded during the course of 2018.

Mediservice is also planning the next stages of development, principally in the field of distance healthcare. This includes offering centrally provided services such as video nursing to chronically ill patients in their homes. Treatment of chronically ill patients beyond in- and out-patient care at hospitals and medical institutions is becoming increasingly important.

The pharmacy as the first point of contact for minor health problems

Initial findings from the Aprioris walk-in clinic pilot project, where a care expert provides immediate medical assistance in a room specially set up for this purpose inside a pharmacy, are expected in 2018. In 2017, this new service was made available in the Amavita pharmacy in Adliswil near Zurich and in the Sun Store Métropole pharmacy in Lausanne. The concept gives customers quick and easy access to an initial consultation if they are suffering from minor complaints that a care expert can treat. Aprioris is an affirmative response to the wish of the Swiss government to give more powers to pharmacies and to strengthen their position as the first point of contact for people with minor health problems. This project is being monitored and overseen by a committee of experts as part of an independent study.

PRODUCTS & BRANDS

Vifor Consumer Health will become Verfora® – and continue to be a strong partner for pharmacies and drugstores

As part of the division of the former Galenica Group in April 2017, Galenica and Vifor Pharma agreed that Vifor Consumer Health would change its name in order to clearly signal to the market that it is no longer part of Vifor Pharma. The company will appear on the market under the name Verfora® from mid-2018. With the new name and corporate design, Verfora® will be able to position itself even better as an independent, strong retail partner with its well-known brands and products. The company's strategy will not change. Verfora® will continue to be a strong partner for pharmacies and drugstores, with an attractive product portfolio and dedicated training.

Growth through own and partner brands

For Products & Brands, the focus is on the life cycle management of own products and partner brands, as well as the expansion of these portfolios through acquisitions and new product representations.

New international markets outside of the Swiss market will be entered with Perskindol® and Anti-Brumm®, based on the proven demand for "Swissness" abroad, especially in the area of consumer healthcare.

SERVICES

Greater efficiency

Implementation of the new enterprise resource planning (ERP) solution will be swiftly phased in 2018, with deployment at Alloga pilot customer locations scheduled for the second half of 2018 followed by complete rollout by the end of the year 2019.

High-quality services and offerings

With high-quality services and innovative, tailored offerings, the Services Business sector aims to reinforce the competitiveness of its customers and expand its customer portfolio, for example with a new, modular service package for pharmacies.

Medifilm is growing steadily and serves meanwhile more than 8,000 patients. Thanks to this pleasing growth, Medifilm will expand capacity in 2018 and commission a new generation of blistering machines. The new machines double the number of blistered units per hour, are more precise than the current equipment and can produce trilingual Medifilm® sachets, into which the medications are packed for patients.

For safe, efficient healthcare

Galenica is also making an important contribution to a safer and more efficient healthcare sector with the Documedis® eMedication solution. The software module from HCI Solutions increases transparency when dispensing medications, improves collaboration between the various service providers and thereby prevents medication errors. Following a successful pilot phase, Documedis® is to be further rolled out in the market in 2018 and should be certified as a Class I medical device.

DATES FOR THE DIARY:

Annual General Meeting of Galenica Ltd.: 9 May 2018 at the Kursaal in Bern
Publication of the half-year report 2018: 7 August 2018.

Webcast

The Galenica Financial Analysts' Conference, which takes place today, Tuesday 13 March 2018 at 1 p.m. (Central European time, CET), can be followed live via a webcast. The [link](#) to the webcast can also be accessed on the website www.galenica.com under the heading "Investors". The conference will be held in English.

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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.