

## **PRESS RELEASE**

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Subject Galenica Group half year results 2017

### **Galenica shows pleasing development and confirms its ambitious targets for 2017**

The Galenica Group is presenting its half year results for the first time since the initial public offering (IPO) of 7 April 2017.

Consolidated net sales increased in a challenging market environment by 6.8% to CHF 1,587.5 million in the first half of 2017. The acquisition of physicians' wholesaler Pharmapool, the reinforcement of the pharmacy network, and newly-acquired and in-licensed brands all contributed to this.

The operating result (EBIT) rose by 17.6% to CHF 71.5 million and, on a comparable basis (excluding the effects of IAS 19), grew by 14.1% to CHF 76.6 million. Included in this are one-off effects totalling CHF 7.0 million.

Galenica posted a profit of CHF 57.9 million. On a comparable basis (excluding the effects of IAS 19), net profit was CHF 62.1 million. The profit includes one-off effects of CHF 6.3 million.

### **Guidance for 2017 confirmed**

Based on the positive business performance to date, management is confident of achieving the ambitious targets for 2017. Galenica therefore confirms and specifies the outlook communicated for 2017 in the course of the IPO, i.e.: sales growth in line with the first half of 2017 and an increase in operating result (EBIT) (excluding the effects of IAS 19) of between 7% and 12% year-on-year, including one-off effects totalling CHF 7.0 million. Consequently, the outlook regarding dividends also remains unchanged, and Galenica aims to be able to propose a dividend payment of CHF 80 million to the 2018 Annual General Meeting.

### **Expansion of activities and launch of new products and services**

The Retail Business sector strengthened its pharmacy network and further harmonised processes for all pharmacy formats. Furthermore, innovative projects have been launched, including "Click & Collect" at Coop Vitality, the Aprioris walk-in clinic and MedCenter at the MediService site.

The product range in the Products & Brands Business sector has been expanded. Since May 2017, the portfolio of strong brands also includes the newly-acquired iconic brands Merfen<sup>®</sup> and Vita-Merfen<sup>®</sup>. In addition, in the first quarter 2017, Lierac and Phyto – the premium brands for skincare and haircare from the French Alès Groupe – were launched exclusively in Switzerland.

In the Services Business sector, Galexis expanded its offering for self-dispensing physicians with the acquisition of physicians' wholesaler Pharmapool at the beginning of 2017.

## Key figures of the Galenica Group

(in million CHF)	1 <sup>st</sup> half year 2017	1 <sup>st</sup> half year 2016 <sup>1)</sup>	Change <sup>1)</sup>
<b>Net sales</b>			
Health & Beauty segment	<b>730.0</b>	709.2	+2.9%
- Retail	<b>679.0</b>	662.5	+2.5%
- Products & Brands	<b>51.1</b>	47.9	+6.8%
Services segment	<b>1,233.6</b>	1,148.4	+7.4%
Corporate and eliminations	<b>(376.1)</b>	(370.5)	-
<b>Galenica Group</b>	<b>1,587.5</b>	1,487.1	+6.8%
<b>EBIT adjusted<sup>2)</sup></b>			
Health & Beauty segment	<b>49.5</b>	46.5	+6.5%
Services segment	<b>28.7</b>	20.2	+41.9%
Corporate and eliminations	<b>1.6</b>	0.5	-
<b>Galenica Group</b>	<b>76.6</b>	67.2	+14.1%
<b>Net profit adjusted<sup>2) 3)</sup></b>	<b>62.1</b>	42.9	+44.6%

- 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 it 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

### Pleasant development following the IPO

The Galenica Group increased consolidated net sales by 6.8% to CHF 1,587.5 million in the first half of 2017.

The operating result (EBIT) rose by 17.6% to CHF 71.5 million and, on a comparable basis (excluding the effects of IAS 19), grew by 14.1% to CHF 76.6 million. Included in EBIT are one-off effects from the sales of the rights of the TriaMed<sup>®</sup> 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 profit of CHF 57.9 million. On a comparable basis (excluding the effects of IAS 19), net profit was CHF 62.1 million. The profit includes one-off effects of CHF 6.3 million.

Investments increased to CHF 33.5 million (previous year: CHF 17.0 million), primarily as a result of the acquisition of the Merfen<sup>®</sup> and Vita-Merfen<sup>®</sup> brands.

### Guidance for 2017 confirmed

Thanks to the acquisition of physicians' wholesaler Pharmapool, the continuing reinforcement of the pharmacy network, the newly-acquired brand Merfen<sup>®</sup>, and the in-licensed brands A-Derma, Phyto, Lierac and Schüssler salts from Adler, the Galenica Group's growth in the first half of 2017 was well above the market as a whole, which was, however, below expectations. Based on the positive business performance to date, management is confident of achieving the ambitious targets for 2017.

Galenica therefore confirms and specifies the outlook communicated for 2017 in the course of the IPO, i.e.:

- sales growth in line with the first half of 2017;
- an increase in operating result (EBIT) (excluding the effects of IAS 19) of between 7% and 12% year-on-year, including one-off effects totalling CHF 7.0 million, that were not included in the guidance communicated previously;
- a planned proposal to the 2018 Annual General Meeting for a dividend payment of CHF 80 million.

#### **More retail expertise on the Board of Directors**

The Board of Directors will propose Bertrand Jungo to the 2018 General Meeting for election as a new member of the Board. Bertrand Jungo is the new CEO of Admeira, the largest advertising and marketing company in Switzerland. He previously worked for 26 years in leadership positions at Manor, a department store with locations across Switzerland, including 11 years as CEO. He knows the Swiss retail market from the ground up, and has experience in multi-channel retail as well as in the areas of beauty, personal care and international sourcing. His retail expertise makes him the perfect addition to the Board of Directors.

#### **HEALTH & BEAUTY SEGMENT**

The Health & Beauty segment comprises the Retail and Products & Brands Business sectors. In the Retail Business sector, Galenica operates the largest pharmacy network in Switzerland, giving it an excellent distribution network that offers unique potential for the sale of own, exclusive and partner brands. Through its Products & Brands Business sector, Galenica develops and markets own brands and products as well as exclusive brands and products of its business partners.

In the first half of 2017, the Health & Beauty segment increased net sales by 2.9% to CHF 730.0 million. The operating result (EBIT) improved by 6.5% to CHF 49.5 million. Compared to the previous year, return on sales (ROS) increased to 6.8% (previous year: 6.6%). Investments in the Health & Beauty segment in the first half of 2017 were CHF 22.4 million.

#### **RETAIL**

The Retail Business sector increased net sales in the first half of 2017 by 2.5% year-on-year to CHF 679.0 million (excluding Coop Vitality). The Swiss pharmacy market as a whole grew by 1.8% (IMS Health first half of 2017, Swissmedic therapeutic products lists A, B, C, D). 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, frequency decline in many shopping centres, and the flu season, which having started earlier than usual in December 2016 also ended earlier in 2017.

The number of own pharmacies increased by three locations to a total of 332 pharmacies. Together with the Amavita and Winconcept partner pharmacies, Galenica's pharmacy network comprised nearly 500 points of sale in mid-2017. The expansion accounted for 1.3% of the sales growth. On a comparable basis, sales increased by 1.2%.

### **Potential for synergies further expanded**

Three new brands from Products & Brands were introduced in the pharmacies: the Lierac and Phyto skincare and haircare brands from the Alès Groupe as well as Schüssler salts from Adler. Processes for all pharmacy formats continue to be harmonised and simplified. An example is the TriaPharm<sup>®</sup> pharmacy software implemented at Amavita and Sun Store, which is also being introduced at Coop Vitality since the first half of 2017. TriaPharm<sup>®</sup> should be rolled out in all of the Group's pharmacies by the end of 2017. Another example of synergy benefit is the cooperation between Amavita and Sun Store and the specialty pharmacy MediService, which is delivering more and more high-priced medications on behalf of the pharmacy formats. MediService also offers this service to the overall market and different independent pharmacies already use it.

### **Innovations and new models for the healthcare market**

In spring 2017, Coop Vitality launched "Click & Collect", allowing customers to order products conveniently at the click of a mouse and collect them from the pharmacy of their choice. In this way, the entire range, including OTC products, is also available to customers online. Sun Store and Amavita will introduce "Click & Collect" in the second half of 2017.

In addition, through its Aprioris walk-in clinic, Galenica has a new offering in emergency medical assistance by a care expert in a room that has been specially set up for this purpose inside the pharmacy. The concept therefore enables rapid access to an initial consultation.

The pilot project Health Maintenance Organisation Insurance Plus (HMO Plus) has a similar purpose. Those who are insured with CSS under this alternative model can go to a doctor and now also to a pharmacy to act as the first point of contact in the event of a health problem. Around 20 Amavita and Coop Vitality pharmacies are initially taking part in the project. The "Gesundheitsnetz 2025" (Health Network 2025) of the city of Zurich declared this model the winner of its 2017 project competition. And finally, at the MediService site in Zuchwil, a pilot project is under way to trial MedCenter, a device that patients can use to obtain medication. Using video telephony and an interactive screen, customers can contact the pharmacist who supervises and monitors dispensing of the medication. Thanks to its strong position in PharmaCare, MediService, which is celebrating its 20<sup>th</sup> anniversary this year, has been able to exploit the sustained trend towards more complex therapies and medications and is growing faster than the market in this area.

### **PRODUCTS & BRANDS**

In the first half of 2017, the Products & Brands Business sector generated net sales of CHF 51.1 million, an increase of 6.8% compared to the first half year 2016. Thanks to the launch of new beauty products, Products & Brands was able to increase net sales in Switzerland in a declining OTC market (-0.3%, IMS Health first half of 2017) by 3.8% to CHF 38.5 million. Export sales increased by 16.6% to CHF 12.7 million, with Anti-Brumm<sup>®</sup> in particular posting very pleasing growth in Germany.

### **Further expanding the strong health portfolio**

Through the acquisition of iconic Swiss brands Merfen<sup>®</sup> and Vita-Merfen<sup>®</sup> in May 2017, Vifor Consumer Health can now also establish a presence in the Swiss market for wound disinfection and wound healing

Vifor Consumer Health also took over the distribution of Excilor<sup>®</sup>, a leading brand in anti-fungal nail medication. An exclusive contract with Austrian company Adler and close collaboration with the Retail Business sector contributed to the successful launch of Adler's Schüssler mineral salts, an important new category for Vifor Consumer Health.

Following the success of A-Derma, Products & Brands also took over the national Swiss exclusive distribution for Lierac skin care and Phyto hair care from the French Alès Groupe. These Pharmacy brands had a great start in the first six months of 2017.

## **SERVICES SEGMENT**

The Services segment comprises logistics services for the Swiss healthcare market from Alloga (pre-wholesale), Galexis, Unione Farmaceutica Distribuzione and Pharmapool (wholesale), as well as Medifilm, which is active in drug blister packaging. These services are complemented by services from HCI Solutions, which provides master data for the Swiss healthcare market and develops management solutions for pharmacies as well as tools for secure management, communication and distribution of sensitive health data.

The Services segment generated net sales of CHF 1,233.6 million in the first six months of 2017. The sales growth of 7.4% was due in particular to the successful integration of Pharmapool. This was achieved in an overall market whose growth (+3.9%, IMS Health first half of 2017) was driven especially by the sales performance of hospitals (+7.6%, IMS Health first half of 2017) as well as high-priced special medications that are not supplied via wholesale but directly to specialist doctors (doctors: +5.4%, IMS Health first half of 2017).

The operating result (EBIT) improved by 41.9% to CHF 28.7 million. Included in EBIT are one-off positive effects from the sales of the rights of the TriaMed<sup>®</sup> medical practice software to Swisscom and of a non-operational building in Schönbühl (canton of Bern), which totalled CHF 7.0 million. Excluding these one-off effects, ROS remained unchanged from the previous year at 1.8%. Investments in the first half of 2017 amounted to CHF 11.1 million.

### **Temperature-controlled end-to-end supply chain**

Alloga, which is celebrating its 60<sup>th</sup> anniversary in 2017, began the switch to a new ERP (enterprise resource planning) system in the first half of 2017. Internal capacity for refrigerated storage at 2-8°C is being expanded to meet increased customer demand, with a third cold room due to be operational in the second half of 2017.

Since April 2017, Alloga and Galexis have been offering their customers an end-to-end supply chain for temperature-controlled transport. The driver-delivered boxes are significantly lighter than insulated boxes and also take up less storage space for the customer.

Innovative offerings, increasing automation and new products are the strengths of Galexis, thanks to which the company concluded new exclusive agreements with well-known providers of beauty products such as Clarins and Coty in the first half of 2017. With the acquisition of physicians' wholesaler Pharmapool at the start of the year, Galexis also expanded its offering for self-dispensing physicians.

### **Expansion of capacity and offerings**

Having just celebrated its 10<sup>th</sup> anniversary, Medifilm moved into its new building, which triples the size of its production area. Demand from pharmacies and care homes for blister packaging of medications and food supplements remains high. Medifilm now serves around 7,500 patients throughout Switzerland, thus easing the burden on an increasing number of carers to provide medications.

The TriaPharm<sup>®</sup> pharmacy software from HCI Solutions features, among other benefits, direct invoicing to health insurers. It is being introduced at Coop Vitality since the first half of 2017 and the process should be completed by the end of the year. Following the successful Documedis pilot project at the Cantonal Hospital of St. Gallen to check for contraindications when dispensing medications, the first modules are being offered to interested parties.

For further details, please see the Galenica Group half year report 2017. The PDF version is available on the Galenica website at:

[Download half year report 2017](#)

**Conference call and webcast access**

Galenica will host a conference call and webcast today, 8 August 2017, at 2:00 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 32
- USA: +1 646 254 3366
- Other countries: +44 (0)20 3427 1904

The call will also be webcast and accessible through the Investors section of the company's website at [www.galenica.com](http://www.galenica.com).

**Replay**

A telephone replay will be available from 6:00 p.m. CET on 8 August 2017 for 7 days. To access a replay of the conference call, dial

- Switzerland: +41 (0)22 567 57 09
- USA: +1 719 457 0820
- Other countries: +44 (0)207 984 7568

The webcast replay will also be available at [www.galenica.com](http://www.galenica.com) from approximately 6:00 p.m. CET on 8 August 2017 for a period of one month.

The pass code for the live call and the replay is 9993742.

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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](http://www.galenica.com).