Galenica Group

Annual financial statements
2017

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CFO

Analysts’ Conference, 13 March 2018
2017: a unique year!

CHF 1.95 billion
Initial public offering (IPO)

CHF 380 million
Bonds

Sales growth
outperformed the market

Profitability increased

Balance sheet strengthened
Sales growth outperformed the market

**Net sales** (in million CHF)

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galenica Group</td>
<td>3,214</td>
<td>3,009</td>
<td>+6.8%</td>
</tr>
<tr>
<td>Retail</td>
<td>1,390</td>
<td>1,349</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Products &amp; Brands</td>
<td>95</td>
<td>89</td>
<td>+6.0%</td>
</tr>
<tr>
<td>Services</td>
<td>2,502</td>
<td>2,329</td>
<td>+7.4%</td>
</tr>
</tbody>
</table>

- **+1.5% organic**  
  +4.2% entire market, medications

- **+2.0% organic**  
  +2.3% pharmacy market medications
  -3.5% pharmacy/drug store market non-medications

- **+4.0% Switzerland**  

- **+15.6% international**

- **-0.4% entire market, OTC medications**

- **+1.1% organic**  
  +6.3% effect of Pharmapool

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1) Excluding pharmacy acquisitions / closures  
2) Excluding Pharmapool acquisition  
3) Sales from Swissmedic product lists A, B, C, D by suppliers and wholesalers to hospitals, physicians, pharmacies and drugstores  
4) Sales from Swissmedic product lists A, B, C, D by suppliers and wholesalers to pharmacies  
5) Swissmedic products lists C, D  
6) IQVIA, PharmaTrend, Personal care, patient care and nutrition sales in pharmacies and drugstores at street price
Increase in profitability

**EBIT adj.\(^1\) / EBIT margin**

(in million CHF / %)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Galenica Group</td>
<td>148.2</td>
<td>134.2</td>
<td>4.6%</td>
</tr>
<tr>
<td>Health &amp; Beauty</td>
<td>99.7</td>
<td>93.5</td>
<td>6.7%</td>
</tr>
<tr>
<td>Services</td>
<td>50.6</td>
<td>39.9</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

\(^1\) excluding effects of IAS 19

+5.3% excluding one-off effects
EBIT margin 4.4%

+6.7% excluding one-off effects
EBIT margin 6.7%

+9.2% excluding one-off effects
EBIT margin 1.7%
# Net profit exceeds expectations

<table>
<thead>
<tr>
<th>(in million CHF)</th>
<th>2017</th>
<th>2016</th>
<th>of which one-off effects 2017 disposals deferred tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBIT adj.(^1)</strong></td>
<td>148.2</td>
<td>134.2</td>
<td>7 million</td>
</tr>
<tr>
<td>(Effect of IAS 19)</td>
<td>-6.4</td>
<td>-10.4</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>141.8</td>
<td>123.8</td>
<td>7 million</td>
</tr>
<tr>
<td>Financial result</td>
<td>-1.9</td>
<td>-19.5</td>
<td></td>
</tr>
<tr>
<td><strong>EBT</strong></td>
<td>139.9</td>
<td>104.3</td>
<td>7 million</td>
</tr>
<tr>
<td>Taxes</td>
<td>-21.0</td>
<td>-20.9</td>
<td>-0.7 million</td>
</tr>
<tr>
<td>Tax rates</td>
<td>15.0%</td>
<td>20.0%</td>
<td>+0.5% points</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>118.9</td>
<td>83.4</td>
<td>6.3 million</td>
</tr>
<tr>
<td>(Effect of IAS 19)</td>
<td>-5.5</td>
<td>-8.7</td>
<td>+3.1% points</td>
</tr>
<tr>
<td><strong>Net profit adj.(^1)</strong></td>
<td>124.4</td>
<td>92.1</td>
<td>6.3 million</td>
</tr>
</tbody>
</table>

\(^1\) excluding effects of IAS 19
Pleasing free cash flow

(in million CHF)

2016

\[
\begin{align*}
\text{Cash flow from operating activities} & = 92.5 \\
\text{Investments in assets} & = -35.8 \\
\text{Purchase of subsidiaries} & = -30.3 \\
\text{Divestment of assets and disposal of subsidiaries} & = 1.8 \\
\end{align*}
\]

2017

\[
\begin{align*}
\text{Cash flow from operating activities} & = 98.9 \\
\text{Investments in assets} & = -57.1 \\
\text{Purchase of subsidiaries} & = -35.8 \\
\text{Divestment of assets and disposal of subsidiaries} & = 47.3 \\
\end{align*}
\]
Investments

(in million CHF)

% of sales  
- 2016: 1.2% 
- 2017: 1.7%

Cash conversion¹)  
- 2016: 80% 
- 2017: 70%

1) (EBITDA-CAPEX)/EBITDA, EBITDA excluding effects of IAS 19; CAPEX includes investments in intangible assets and property, plant and equipment

Investments in intangible assets

Investments in tangible assets
Robust balance sheet

(in million CHF)

Debt coverage\(^1\)  
\[ 2.0x \quad 1.6x \]

% of total assets

\[ \begin{array}{c|c|c}
\text{Equity} & \text{Net debt} \\
\hline
1.1.17^2 & 45\% & 21\% \\
& 745 & 350 \\
2017 & 48\% & 17\% \\
& 862 & 301 \\
\end{array} \]

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\(^1\) Net debt / EBITDA adj., excl. effects of IAS 19

\(^2\) Shareholders’ equity and net debt, pro-forma balance sheet as at 1 January 2017
Outlook

Dividends 2017

→ CHF 1.65 dividend per share from capital contribution reserve

Outlook for 2018

→ Sales growth of 2% to 3%

→ EBIT (excluding effect of IAS 19) similar to that in 2017

→ 2018 dividend at least at prior-year level
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