

## PRESS RELEASE

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 Subject 2019 sales of the Galenica Group

### Pleasing sales growth and increase of 2019 earnings guidance

The Galenica Group increased the consolidated net sales by 4.3% to CHF 3,301.2 million in 2019. Galenica clearly outperformed the market in all Business sectors despite the fact that sales continued to be negatively impacted by the federal price reduction measures implemented in 2018 and 2019. Dynamic expansion activities and acquisitions as well as the launch of new products and services contributed to this pleasing performance.

With an unchanged, very high generic substitution rate of around 70%, the Galenica Group pharmacies (including Coop Vitality) again made a contribution of more than CHF 60 million<sup>1)</sup> to reducing healthcare costs for patients and health insurers.

Based on the pleasing sales development, Galenica is increasing its earnings guidance for 2019: adjusted operating result EBIT (excluding the effects of IAS 19 and IFRS 16) is expected to increase by between 7% to 9%. The outlook regarding the proposal of a dividend of at least at the same level as the prior year to the 2020 Annual General Meeting remains unchanged.

#### Net sales of the Galenica Group 2019:

(in million CHF)	2019	2018	Change
Health & Beauty segment	1,620.8	1,524.8	+6.3%
- Retail	1,515.7	1,430.5	+6.0%
- Products & Brands	102.1	91.7	+11.3%
Services segment	2,441.0	2,372.3	+2.9%
Corporate and eliminations	(760.6)	(732.1)	
<b>Galenica Group</b>	<b>3,301.2</b>	<b>3,165.0</b>	<b>+4.3%</b>

## GALENICA GROUP

### Growth exceeding the market in all Business sectors

The Galenica Group increased its consolidated net sales by 4.3% to CHF 3,301.2 million in 2019. Galenica clearly outperformed the market in all Business sectors despite the fact that sales continued to be negatively impacted by the federal price reduction measures implemented in 2018 and 2019. Dynamic expansion activities and acquisitions as well as the launch of new products and services contributed to this pleasing performance. The Retail Business sector in particular recorded a very positive performance with the above-average strengthening of the pharmacy network (+11 own points of sale) and the acquisition of the Bichsel Group. New products and expanded partnerships in the Products & Brands Business sector, such as the launch of Dermafora® and the expansion of the partnership with Procter & Gamble, also contributed to the growth in sales. The dynamic growth in the Services Business sector, largely due to the acquisition of new pharmacy customers, is also remarkable.

<sup>1)</sup> Calculated using average price differential between original and generic of 29.9%, according to the study "Effizienzbeitrag der Generika" (Efficiency contribution of generics), 2019 edition, bwa Consulting Bern

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By way of comparison, the Swiss pharmacy market grew by 2.8% (IQVIA, Pharmaceutical Market Switzerland 2019) in 2019, despite government-mandated price reductions. Given virtually stable volumes (+0.3%, IQVIA, Pharmaceutical Market Switzerland 2019), this is a clear indication that market growth was driven by increasing sales of high-priced medications. Market growth in the second half of the year was significantly higher than in the first half, particularly thanks to extraordinarily high sales in december. The market for health, beauty and care products in pharmacies and drugstores posted slight growth (+0.8%, IQVIA, Consumer Health Market Switzerland, up to September 2019).

### **Earnings guidance increased**

Based on the pleasing sales development, Galenica is increasing its earnings guidance for 2019: adjusted operating result EBIT (excluding the effects of IAS 19 and IFRS 16) is expected to increase by between 7% to 9%. Due to the application of the new lease accounting standard IFRS 16, Galenica still expects an additional increase in EBIT of CHF 2 million to 3 million. The outlook regarding the proposal of a dividend of at least at the same level as the prior year (CHF 1.70 per share) to the 2020 Annual General Meeting remains unchanged.

### **Investing in the future**

For Galenica, 2019 was characterised by a number of major projects, which will continue intensively in 2020. For instance, efforts were concentrated on the introduction of the new ERP system at Alloga, and work began as planned on modernising the Galexis distribution centre in Lausanne-Ecublens. Both projects will contribute to enhance efficiency in the medium term. In addition, preparations began in the year under review for the Amavita, Sun Store and Coop Vitality pharmacies to be able to also offer their customers the services of a mail order pharmacy, probably in the second half of 2020 – a further step towards omni-channel.

### **Change to the Board of Directors of the Galenica Group**

Fritz Hirsbrunner has decided after 40 years of ties to Galenica not to stand for re-election at the Annual General Meeting on 19 May 2020. He joined the Galenica Group in 1977 and until 2014 held various positions, including member of the Corporate Executive Committee as CFO, before withdrawing from the operational business and becoming a member of the Board of Directors of the Galenica Group. The Board of Directors would like to thank Fritz Hirsbrunner for his valuable contribution. As a long-standing teammate, he played a significant role in the company's successful growth. The Galenica Group owes the targeted implementation of many ground-breaking steps to his solid, loyal and consistent support.

The Board of Directors will propose Pascale Bruderer to shareholders for election as a new member of the Board of Directors at the Annual General Meeting on 19 May 2020. Pascale Bruderer was a member of the National Council from 2002 to 2011 – as President of the National Council in 2009/2010 – and a member of the Council of States from 2011 for the Social Democratic Party of Switzerland (SP) before withdrawing from politics in December 2019. Through her longstanding membership of the Social Security and Health Committee, she focused her political priorities on areas including healthcare policy, thus bringing important additional knowledge in this area to the Board of Directors. Pascale Bruderer is also a member of the Board of Directors of the Mobiliar Association and Bernexpo Ltd., and has been nominated for election to the Board of Directors of TX Group.

### **Marc Werner new CEO from 1 April 2020**

As announced in October 2019, Jean-Claude Cléménçon, who has been CEO of the Galenica Group since April 2017, has decided to take early retirement in mid-2020 after 25 years with the company. Marc Werner, previously Head of Sales & Services division and a member of the Group Executive Board at Swisscom, will succeed Jean-Claude Cléménçon as CEO on 1 April 2020.

## HEALTH & BEAUTY SEGMENT

The Health & Beauty segment increased net sales in 2019 by 6.3% to CHF 1,620.8 million, CHF 1,515.7 million of which was accounted for by the Retail Business sector and CHF 102.1 million by the Products & Brands Business sector. The further strengthening of the pharmacy network and the acquisition of the Bichsel Group in May 2019 notably contributed to the sales development.

## RETAIL

The Retail Business sector increased net sales in 2019 by 6.0% to CHF 1,515.7 million (excluding Coop Vitality). The expansion of the pharmacy network and acquisitions accounted for 5.6% of the sales increase. On a comparable basis, net sales for 2019 increased by 0.4%. The government-mandated price reduction measures for medications had a negative impact of 1.8% on sales growth. Excluding these price reductions, organic growth (excluding expansion effects) would have amounted to a pleasing 2.2%. Generic substitution, which is actively promoted by Galenica, also curbed sales because of the lower medication prices. With an unchanged, very high generic substitution rate of around 70%, the Galenica Group pharmacies (including Coop Vitality) again made a contribution of more than CHF 60 million<sup>1)</sup> to reducing healthcare costs for patients and health insurers. By way of comparison, medication sales (Rx and OTC products) in the Swiss pharmacy market as a whole declined by 0.2% (IQVIA, Pharmaceutical Market Switzerland 2019). Sales of other products (non-medications) also declined by 0.7% (IQVIA, Personal, Patient Care and Nutrition, up to September 2019).

### Dynamic expansion of the pharmacy network

The pharmacy network of the Retail Business sector saw above-average growth in the year under review. A total of 11 locations were acquired and 8 new pharmacies opened. At the same time, 8 locations were closed down as part of optimisation measures and the customers and staff transferred to Amavita, Sun Store or Coop Vitality pharmacies nearby. Accordingly, the number of own pharmacies as of the end of 2019 increased by 11 locations to 356. Together with 157 points of sale of independent Winconcept and Amavita partner pharmacies, the Swiss pharmacy network of the Galenica Group comprised 513 pharmacies at the end of 2019.

### Own pharmacies and shareholdings

	31.12.2019	31.12.2018	Change
Amavita pharmacies <sup>1)</sup>	171	163	+8
Sun Store pharmacies <sup>1)</sup>	94	97	-3
Coop Vitality pharmacies <sup>2)</sup>	84	78	+6
Mediservice specialty pharmacy <sup>1)</sup>	1	1	-
Majority holdings in other pharmacies <sup>1)</sup>	6	5	+1
Minority holdings in other pharmacies <sup>2)</sup>	-	1	-1
<b>Total own points of sale</b>	<b>356</b>	<b>345</b>	<b>+11</b>

<sup>1)</sup> Fully consolidated <sup>2)</sup> Consolidated at equity level

### Independent partners

	31.12.2019	31.12.2018	Change
Amavita partners	7	7	-
Winconcept partner pharmacies	150	149	+1
<b>Total independent partners</b>	<b>157</b>	<b>156</b>	<b>+1</b>

<sup>1)</sup> Calculated using average price differential between original and generic of 29.9%, according to the study "Effizienzbeitrag der Generika" (Efficiency contribution of generics), 2019 edition, bwa Consulting Bern

### **Growth area of home care**

Galenica strengthened its position in the attractive, growing market of patient home care in 2019, in particular by acquiring the Bichsel Group, a specialised Swiss company with a strong focus on home care services in the field of home nutrition and home dialysis as well as the manufacture of individual medicines and medical devices. The acquisition of Curarex Swiss, a company with a strong focus on therapy support for patients with advanced Parkinson's disease, also contributed to this expansion.

### **A further step towards omni-channel**

The range in the Amavita, Sun Store and Coop Vitality online shops with the integrated online ordering and pick-up service Click & Collect was also further expanded in the year under review and is enjoying increasing popularity. As of the end of 2019, more than 60,000 products were available (end of 2018: 40,000) – an expansion of the range that contributed to strengthening the local pharmacies. All three pharmacy formats now have their own smartphone apps, and the e-mediplan module, previously included in the Amavita app only, was also incorporated into the new Sun Store and Coop Vitality apps in 2019. Lastly, preparations began in the year under review for the Amavita, Sun Store and Coop Vitality pharmacies to be able to also offer their customers the services of a mail order pharmacy, probably in the second half of 2020.

### **New collaborations with health insurers**

Groupe Mutuel introduced Prima Pharma, an alternative basic health insurance model with a limited choice of healthcare providers, at the start of 2020. It is comparable with the family doctor model. All Amavita, Sun Store and Coop Vitality pharmacies are the first point of contact for customers of this model if they have a health-related issue. The pharmacists conduct an initial assessment and recommend a medication or – if necessary – a referral to a doctor or hospital. CSS has been offering the Multimed alternative basic health insurance model in the cantons of Lucerne, Berne, Basel-Stadt and Basel-Land since 2020 as well. This digitally integrates the different service providers to improve the care of chronically ill patients in particular. Mediservice is a partner in this model as a mail order pharmacy. Lastly, 52 Galenicare pharmacies also affiliated with Swica's existing "Medpharm Favorite" model from 1 January 2020. The purpose of all of these collaborations is to contribute to containing rising healthcare costs.

## **PRODUCTS & BRANDS**

The Products & Brands Business sector, which mainly comprises the business activities of Verfora, achieved net sales totalling CHF 102.1 million (+11.3%) in 2019. This pleasing growth was due in part to solid increases in sales of Algifor<sup>®</sup>, Triofan<sup>®</sup>, Triomer<sup>®</sup> and the magnesium-based products, as well as the launch of the new own derma-cosmetics range Dermafora<sup>®</sup>. Distribution in Switzerland of the well-known Vicks<sup>®</sup> products and of Metamucil<sup>®</sup>, which was taken over from Procter & Gamble at the beginning of 2019, also contributed to this success.

Products & Brands increased net sales in the Swiss market by 11.4% to CHF 82.1 million, thus clearly exceeding the growth of the consumer healthcare market of 0.8% (IQVIA, Consumer Health Market Switzerland, up to September 2019). As a result, Verfora was able to successfully build on its leading position in the Swiss consumer healthcare market in the year under review.

Export sales were up 11.0% to CHF 20.0 million. Solid sales of Perskindol<sup>®</sup> in Asia and Anti-Brumm<sup>®</sup> in Europe contributed in particular to this positive performance.

### **Verfora: successful positioning in the market**

Following the renaming of Vifor Consumer Health to Verfora in 2018, product packaging was redesigned, and a new advertising image launched. The advertising campaign ran mainly in the first half of 2019 and focused on TV ads, online videos and a strong presence at points of sale.

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The new identity allows Verfora to successfully position itself as a strong specialist trade partner for pharmacies and drugstores in Switzerland with its well-known brands and products. One of Products & Brands' most important projects in the year under review was the launch of its new Dermafora® derma-cosmetics range in Amavita, Sun Store and selected Coop Vitality pharmacies, and the related employee training.

#### **New partners for Products & Brands**

At the beginning of 2020, Verfora will be taking over distribution of the major brand Bucco Tantum® from Italian pharmaceutical company Angelini, helping the Products & Brands Business sector to boost its presence in the cold medication market.

Verfora has also entered into a partnership with Austria-based Institut Allergosan. Institut Allergosan has been one of the world's leading centres of competence in the field of microbiome research for over 25 years and develops probiotics and prebiotics – the fastest-growing segment in the consumer healthcare market. In the first quarter of 2020, Verfora will be taking over distribution of the Omni-Bio-tic® brand from Institut Allergosan.

Meanwhile, the contract with Soho Flordis International (SFI) for distributing the product groups Ginsana®, Gincosan® and Equazen® could not be extended, and will expire in 2020.

Galenica estimates that these shifts in its partner set-up will impact net sales of the Products & Brands Business sector by +3% to +4% overall in 2020.

#### **SERVICES SEGMENT**

The Services segment generated net sales of CHF 2,441.0 million in 2019, an increase of 2.9% compared to the previous year. The good sales performance is particularly pleasing as the federal price reduction measures mandated in 2018 and 2019 continued to impact negatively on sales in the Services segment in the year under review. Excluding the effect of these price reductions for medications by the authorities (-2.3%), sales development for the segment would have amounted to 5.2%. This was achieved in an overall market whose growth of 2.8% (IQVIA, Pharmaceutical Market Switzerland 2019) was driven especially by the positive sales performance of hospitals of 6.1% (IQVIA, Pharmaceutical Market Switzerland 2019) and high-priced special medications. The latter are usually not supplied via wholesale but directly to hospitals and specialist doctors (doctors: +5.5%, IQVIA, Pharmaceutical Market Switzerland 2019).

The pleasing sales growth is attributable in particular to the acquisition of new pharmacy customers. Unione Farmaceutica Distribuzione (UFD) in Ticino in particular had a very successful year in this respect.

#### **Focus on ERP replacement at Alloga**

Pre-wholesaler Alloga focused on the gradual roll-out of the new ERP software (enterprise resource planning) in the year under review, and successfully migrated the first pilot partner. This project, which is strategically and operatively important for the entire Group, will see additional pilot partners switching to the new system at Alloga by mid-2020.

#### **Galexis: modernisation work has begun in Lausanne-Ecublens**

The modernisation and renovation project at the distribution centre in Lausanne-Ecublens, which is strategically and operationally important for the Galenica Group, proceeded on schedule in the year under review. The renovation works began in September 2019. The building will be modernised and the logistics infrastructure brought up to the state of the art for a total of some CHF 30 million by the end of 2021. All of the work is being carried out while operations are ongoing to ensure security of supply for customers throughout the renovation.

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### **Progress at HCI Solutions and positive development at Medifilm**

Numerous so-called reference communities are set to commence operation in Switzerland in the first half of 2020 in connection with the electronic patient record (EPR). They are currently being certified by the Federation and can then offer an electronic patient record under federal legislation. These reference communities are being set up by cantonal and interregional healthcare networks. Following negotiations and discussions by HCI Solutions in 2019, the e-medication solution Documedis® will be incorporated into almost all e-health platforms of these healthcare networks.

As of the end of 2019, Medifilm served more than 10,000 patients and has expanded its software to the effect that it can now also manage medications that are not included in the Medifilm, such as eye drops or ointments. This additional information is also printed on the Medifilm.

### **Dates for the diary:**

10 March 2020: Publication of the results of the 2019 financial year for the Galenica Group

19 May 2020: Annual General Meeting of Galenica Ltd. (Kursaal, Bern)

4 August 2020: Publication of the half year report 2020 of the Galenica Group

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*Galenica is the leading fully integrated healthcare provider in Switzerland. With over 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 services 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).*