Galenica Group

Annual financial statements 2018

Felix Burkhard
CFO

Media and Analyst Conference, 12 March 2019
2018
Solid, sustainable business performance!

Dividend increased
Pharmacy network expanded
Sales increased despite price reductions
Profitability sustainably improved
Balance sheet strengthened
2018
Solid sales growth despite price reductions

<table>
<thead>
<tr>
<th>Net sales (in million CHF)</th>
<th>2018</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galenica Group</td>
<td>3,165</td>
<td>3,141</td>
<td>+0.8%</td>
</tr>
<tr>
<td>Retail</td>
<td>1,431</td>
<td>1,387</td>
<td>+3.1%</td>
</tr>
<tr>
<td>Products &amp; Brands</td>
<td>92</td>
<td>89</td>
<td>+2.7%</td>
</tr>
<tr>
<td>Services</td>
<td>2,372</td>
<td>2,362</td>
<td>+0.4%</td>
</tr>
</tbody>
</table>

- +2.6% expansion effect<sup>1)</sup>
- +0.5% organic growth
- -1.6% price reduction effect<sup>2)</sup>
- +1.0% pharmacy market medications<sup>3)</sup>
- -0.6% non-medications<sup>4)</sup>
- +3.8% Switzerland
- -1.6% international
- +1.2% Swiss consumer healthcare market<sup>5)</sup>
- -2.4% price reduction effect<sup>2)</sup>

---

<sup>1)</sup> Calculated for points of sale without full-year comparison period 2017 and 2018
<sup>2)</sup> Price reductions on reimbursable medications (SL), calculated with 2017 volumes
<sup>3)</sup> IQVIA, Swiss pharmaceutical market 2018: sales from Swissmedic therapeutic products lists A, B, C, D by suppliers and wholesalers to pharmacies
<sup>4)</sup> IQVIA, Swiss consumer healthcare market 2018, personal care, patient care and nutrition sales in pharmacies and drugstores at street price
<sup>5)</sup> IQVIA, Swiss consumer healthcare market 2018
Swiss pharmaceutical market by channel 2018

Ex-factory value: CHF 5,969.2 million (CHF +130.8 million / +2.2%)

- **Hospitals**: 1,467.5 million (+5.5%)
- **Drugstores**: 60.4 million (-2.3%)  
- **Physicians**: 1,475.1 million (+1.9%)

- **Pharmacies**: 2,966.2 million (+1.0%)  

Source: APO/SD/DRO/SPI Index  
Swissmedic A, B, C, D  
© 2018 IQVIA
Price reduction rounds 2017 and 2018
Annual savings per channel at public price and ex-factory in million CHF

1st round 2017

<table>
<thead>
<tr>
<th>Channel</th>
<th>Public price</th>
<th>Ex-factory</th>
<th>Distribution margin (excl. VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>44.6</td>
<td>184.7</td>
<td>35.3</td>
</tr>
<tr>
<td>Physicians</td>
<td>64.8</td>
<td>41.0</td>
<td></td>
</tr>
<tr>
<td>Pharmacies</td>
<td>116.1</td>
<td>91.3</td>
<td>22.0</td>
</tr>
</tbody>
</table>

2nd round 2018

<table>
<thead>
<tr>
<th>Channel</th>
<th>Public price</th>
<th>Ex-factory</th>
<th>Distribution margin (excl. VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>11.6</td>
<td>81.4</td>
<td>16.1</td>
</tr>
<tr>
<td>Physicians</td>
<td>26.1</td>
<td>20.8</td>
<td></td>
</tr>
<tr>
<td>Pharmacies</td>
<td>50.2</td>
<td>62.2</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Source: APO/SD/SPI Index, data period MAT Dec 2017

Source: APO/SD/SPI Index, data period MAT Aug 2018

Copyright IQVIA – price reductions in 2017 and 2018
2018: Strong growth in high-priced medications
2 therapeutic areas are generating over 95% of total market growth

Ex-factory value: CHF 1,664.6 million (CHF +127.9 million / +8.3%)

Cancer

Autoimmune diseases

Ex-factory value: CHF 1,664.6 million (CHF +127.9 million / +8.3%)

Source: APO/SD/DRO/SPI Index
Swissmedic registered articles
Data as at December 2018

© IQVIA Switzerland – Swiss pharmaceutical market 2018
Generics 2018: strong growth in the pharmacy market

74.5 million packs reimbursable by health insurance (+1.7 million / +2.4%)

3) Generics 19.5 million / market with generics 34.5 million = 57%

Source: Market segmentation, reimbursable products (FOPH) in the pharmacy channel
Monthly calculation basis, delineated market division
Data as at December 2018
© IQVIA Switzerland – Swiss pharmaceutical market 2018

1) Product with expired patent protection and at least one generic
2) 1. Natural substance (e.g. vitamins, minerals); 2. Non-therapeutic products (e.g. contraceptives, diet products); 3. Vaccines; 4. Diagnostics; 5. Biosimilars; 6. Reference products

Substitution rate 57%
Sales growth despite price reductions

Market development affected by:
- Price reductions
- Strong growth of high-priced medications
- Growth of generics

Outlook for Galenica sales in 2019:
- Galenica Group sales at least at prior-year level
  - Health & Beauty sales +1% to +3%
  - Services sales at around the prior-year level
2018
Comparable EBIT significantly increased

(in million CHF)

2017 | 2018
---|---
141.3 | 141.8
-6.5 | 7.0
154.1 | 113.0
-41.0 | -20.3%

1) Excluding effect of IAS19 and one-off effects
2018
Profitability sustainably improved

Comparable EBIT\(^1\) / EBIT margin
(in million CHF / %)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galenica Group</td>
<td>154.1</td>
<td>141.3</td>
<td>+9.1%</td>
</tr>
<tr>
<td>Health &amp; Beauty</td>
<td>110.4</td>
<td>99.7</td>
<td>+10.7%</td>
</tr>
<tr>
<td>Services</td>
<td>44.2</td>
<td>43.6</td>
<td>+1.4%</td>
</tr>
</tbody>
</table>

\(^1\) Excluding effect of IAS19 and one-off effects
2018
Net profit above expectations

(in million CHF)

2017
118.9
113.8
-5.6

2018
147.7
124.7
-33.2

+24.2%
+9.5%

One-off effects
Comparable net profit\(^1\)
Effect of IAS19

1) Excluding effect of IAS19 and one-off effects
2018 Investments

(in million CHF)

<table>
<thead>
<tr>
<th>% of sales</th>
<th>Cash conversion$^1\rangle$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.8%</td>
<td>70%</td>
</tr>
<tr>
<td>1.6%</td>
<td>74%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments in intangible assets</th>
<th>Investments in property, plant and equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>29.9</td>
<td>26.0</td>
</tr>
<tr>
<td>2018</td>
<td>27.4</td>
<td>22.6</td>
</tr>
</tbody>
</table>

$^1\rangle$ (EBITDA-CAPEX)/EBITDA, EBITDA excluding effect of IAS 19; CAPEX includes investments in intangible assets and property, plant and equipment
2018
Pleasing free cash flow

(in million CHF)

2017 2018
Cash flow from operating activities 144.4 173.5
Divestment of assets and disposal of subsidiaries 47.3 4.8
Investments in assets -57.1 -54.7
Purchase of subsidiaries -35.8 -37.7
2018
Balance sheet strengthened

(in million CHF)

Debt coverage\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity (in million CHF)</th>
<th>Net debt (in million CHF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>837</td>
<td>301</td>
</tr>
<tr>
<td>2018</td>
<td>934</td>
<td>300</td>
</tr>
</tbody>
</table>

\(^1\) Net debt / EBITDA adj., excl. effect of IAS 19
Outlook 2019

- Galenica Group sales at least at prior-year level
  - Health & Beauty sales +1% to +3%
  - Services sales at around the prior-year level
- EBIT (excluding the effects of IAS 19 and IFRS 16) +2% to +5% about 2 million CHF additionally due to IFRS 16
- 2019 dividend at least at prior-year level
Disclaimer

Disclaimer Galenica
Certain statements, beliefs and opinions in this presentation are forward-looking, which reflect the Company’s or, as appropriate, the Company’s directors’ current expectations and projections about future events. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. A multitude of factors including, but not limited to, changes in demand, competition and technology, can cause actual events, performance or results to differ significantly from any anticipated development. Forward-looking statements contained in this presentation regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. As a result, the Company expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements in this presentation as a result of any change in expectations or any change in events, conditions, assumptions or circumstances on which these forward-looking statements are based. Neither the Company nor its advisers or representatives nor any of its or their parent or subsidiary undertakings or any such person’s officers or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor does either accept any responsibility for the future accuracy of the forward-looking statements contained in this presentation or the actual occurrence of the forecasted developments. You should not place undue reliance on forward-looking statements, which speak only as of the date of this presentation.

Disclaimer IQVIA
© 2019, IQVIA Solutions GmbH
All rights reserved. The information may not be duplicated, stored, processed further, nor be made accessible in whole or in part to any third party without prior express and valid written permission of IQVIA Solutions GmbH. Terms used in connection with data/figures such as „patient“, „doctor“, „medical practice“, „prescriber“, or „pharmacy“ do not designate any personal data but exclusively anonymous information (according to applicable, valid data protection laws). IQVIA utilizes highly sophisticated technologies and methods in order to ensure that all its Information Services meet the applicable data protection requirements, regardless of the way data are combined.