

## PRESS RELEASE

Date 11 March 2014  
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Subject Results of the Galenica Group for 2013

### Double-digit growth in profits for the 18<sup>th</sup> consecutive year – dividend increase to CHF 14 per registered share proposed

Galenica increased consolidated net sales by 2.0% to CHF 3,359.4 million in 2013. On a comparable basis, profit before deduction of minority interests increased by 7.8% to CHF 296.2 million and after deduction of minority interests by 1.6% to CHF 257.6 million. Taking into account positive one-time effects due to IAS 19 and the settlement of an international tax case, net profit saw a double-digit growth for the 18<sup>th</sup> consecutive year, by 21.1% to CHF 334.8 million before and by 16.1% to CHF 296.2 million after deduction of minority interests. At the Annual General Meeting 2014, the Board of Directors will recommend a dividend increase of 27.3% to CHF 14.00 per registered share.

Among the highlights of 2013 were US Food and Drug Administration (FDA) approvals for Injectafer<sup>®</sup> for the treatment of iron deficiency anaemia and for Velphoro<sup>®</sup> to control serum phosphorus levels in patients with chronic kidney disease on dialysis. Further milestones were the acquisition of Medifilm, the leading Swiss company in the field of blister packaging for medicines, as well as the acquisition of a minority stake in the pharmacy Bahnhof Apotheke Zurich.

In 2014, Vifor Pharma will continue to expand Ferinject<sup>®</sup> in international markets, will support its partner Luitpold Pharmaceuticals, Inc. with the launch of Injectafer<sup>®</sup> in the US and will prepare further registrations and the commercialisation of Velphoro<sup>®</sup>. Logistics, Retail and HealthCare Information will continue to expand their business activities and to implement the projects already launched in order to optimise processes and improve profitability.

Galenica management has set itself the target of achieving at least the same level of profit in 2014 as in the previous year on a comparable basis, both before and after deduction of minority interests.

#### EBIT, EBITDA and consolidated net profit of the Galenica Group

in million CHF	2013	2012	in %
Pharma	269.3	257.1	+4.8
Logistics	31.1	30.7	+1.3
Retail	63.0	60.3	+4.5
HealthCare Information	4.0	4.3	-5.7
Other and eliminations	23.2	(0.4)	-
<b>Group EBIT</b>	<b>390.6</b>	<b>352.0</b>	<b>+11.0</b>
<b>Group EBITDA</b>	<b>466.2</b>	<b>428.0</b>	<b>+8.9</b>
<b>Net profit</b>	<b>334.8</b>	<b>276.5</b>	<b>+21.1</b>
Attributable to:			
_ Shareholders of Galenica Ltd.	296.2	255.2	+16.1
_ minority interests	38.6	21.3	+81.2

## **GALENICA GROUP**

Galenica increased its consolidated net sales by 2.0% to CHF 3,359.4 million in 2013.

On a comparable basis, consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 4.1% to CHF 443.1 million, and the earnings before interest and taxes (EBIT) by 5.1% to CHF 367.5 million. Net profit increased by 7.8% to CHF 296.2 million before and by 1.6% to CHF 257.6 million after deduction of minority interests.

Taking into account positive one-time effects due to IAS 19 and the settlement of an international tax case, EBITDA grew by 8.9% to CHF 466.2 million and EBIT by 11.0% to CHF 390.6 million. Net profit grew for the 18<sup>th</sup> consecutive year in double-digits, by 21.1% to CHF 334.8 million before and by 16.1% to CHF 296.2 million after deduction of minority interests. The one-time effects are only influencing the consolidated earnings of the Group but not the earnings of the individual Business sectors.

Over the year, Galenica invested CHF 121.9 million (-12.2%) in research and development. Investments in tangible and intangible assets totalled CHF 71.7 million (+34.2%).

**Annual General Meeting 2014.** At the Annual General Meeting on 8 May 2014, the Board of Directors will recommend a dividend increase of 27.3% to CHF 14.00 per registered share. The payout ratio will rise to 30.6% as a result. The Board of Directors has decided that the Annual General Meeting in 2014 will employ a remote electronic ballot by means of authorisations and instructions to the independent proxy for the first time. This is not mandatory until 2015. The Board will also submit for approval the necessary amendments to the Articles of Association required by the Ordinance against excessive compensation in listed companies (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften – VegüV) at the Annual General Meeting in 2014.

**Outlook for 2014.** Galenica management has set itself the target of achieving at least the same level of profit in 2014 as in the previous year on a comparable basis, both before and after deduction of minority interests. The focus of the activities in 2014 will be on the consistent execution of the key strategic projects. The strategy of further developing the Galenica Group through new agreements on products and partnerships with other companies as well as acquisitions will be continued. At the same time the group aspires to continued internal growth.

## **PHARMA**

Net sales in the Pharma Business sector increased by 4.6% to CHF 662.7 million. Income from licensing fees from CellCept amounted to CHF 100.2 million (CHF 90.9 million in the previous year). Investments in research and development in the Pharma Business sector remained at a high level, totalling CHF 115.6 million. The funds were mainly invested in clinical studies for Ferinject<sup>®</sup> to provide further evidence of the benefits of iron treatment in new therapeutic areas. Studies expanding scientific evidence and the filing of the new phosphate binder Velphoro<sup>®</sup> (formerly named PA21) were also financed. Consolidated earnings before interest and taxes (EBIT) increased by 4.8% to CHF 269.3 million.

**Solid growth of Ferinject<sup>®</sup> – Building up knowledge of iron deficiency still takes time.** Ferinject<sup>®</sup> showed growth in all therapeutic areas, with sales rising 24.5% to CHF 158.2 million. At the global level, the number of units sold (100 mg) grew by 37%. France (23%), Germany (16%), Great Britain and Ireland (44%) as well as Spain (21%) posted solid increases several years after the launch of the product, as did Switzerland (13%).

There is a great need for information about the significance of iron deficiency; building up and developing knowledge in the different therapeutic areas continues to take time and effort. Substantial

resources therefore continue to be devoted to measures for raising awareness of iron deficiency within professional circles.

**Approval of Injectafer® in the US.** The US Food and Drug Administration (FDA) approved Injectafer® (US brand name of Ferinject®) for the treatment of iron deficiency anaemia in July 2013. Injectafer® is the first non-dextran intravenous iron therapy to gain FDA approval for the treatment of iron deficiency anaemia in a diverse group of patients with this debilitating condition, irrespective of the underlying origin. Luitpold Pharmaceuticals, Inc., the partner for Galenica in the United States, launched the product in the fall of 2013. Injectafer® is produced at the Luitpold facility in Columbus, Ohio.

**Venofer® maintains strong market position.** Venofer® achieved sales of CHF 128.8 million (-9.8%) in 2013; the number of units sold, however, only decreased by 2.5%. Sales development was again impacted by price pressure in various markets, by government-mandated price cuts, by rival ISS (iron sucrose similar) products and by substitution with Ferinject® in many countries. Venofer® continues to be the best-documented intravenous iron. In 2013, clinical data on the differences in efficacy between Venofer® and ISS preparations, as well as new clinical observations of increased adverse event rates in gynaecological patients treated with ISS products, were published. Regulators are recognising the complexity of parenteral iron preparations and the limitations of the generic approval process for follow-on products.

**FDA approval for Velphoro®.** Towards the end of 2013, Velphoro® (formerly named PA21) received FDA approval for the control of serum phosphorus levels in patients with chronic kidney disease (CKD) on dialysis. Velphoro® was launched in the US at the beginning of March 2014 by Fresenius Medical Care North America. Kissei Pharmaceuticals Co., Ltd., which is developing PA21 in Japan, initiated four Phase III studies in 2013 which should be concluded in 2014.

**Infectious Diseases/OTX.** In 2013, Uro-Vaxom® was launched in Argentina, Kazakhstan and the Ukraine. Vifor Pharma also initiated a new awareness campaign for Uro-Vaxom®. Women of all ages suffering from recurrent cystitis are being encouraged to approach their physicians on treatment and preventive options. Broncho-Vaxom® developed particularly well. The product achieved good results especially in Brazil, the growth was also brought forward thanks to a new distribution partner in Russia.

**Vifor Pharma Consumer Healthcare: successful change in strategy.** The modification of strategy initiated in 2012 focusing on increased efficiency in sales, consumer-oriented marketing measures and a customised medical training programme for pharmacies and drugstores is paying off. Anti-Brumm® (+65.2%), Algifor® (+17.4%) and Triofan® (+9.3%) developed particularly well. Magnesium Vital Sport® und Magnesium Vital One®, launched in 2012, outperformed the market. New products, such as Tenderdol® Herpatch Serum to treat orolabial herpes und Triofan® Hay Fever with antiallergic nasal spray and antiallergic eye drops were introduced successfully.

**Broadened partnerships.** Fresenius Medical Care continues to be an important partner. Additional countries have been activated and Fresenius Medical Care has taken on full responsibility for these new markets. In addition, several new agreements and partnerships, such as distribution agreements with Zeria for Japan and with Lupin in India, both for Ferinject®, and with local partners in several countries in Latin America were negotiated. International cooperation with Takeda/Nycomed has been extended to South Africa with Ferinject®.

**Outlook for 2014: Introduction of Injectafer® and Velphoro® on the US market.** The focus in 2014 is on supporting growth of Ferinject® and Injectafer®. Awareness of iron deficiency also needs to be increased in the US. This will take time and requires appropriate investments in informational activities for health care professionals by Luitpold Pharmaceuticals, Inc. The geographic expansion of Ferinject® will be continued. Market approvals and launches are expected in a number of additional countries.

The goal for Venofer<sup>®</sup> is to maintain its strong market position, supported by recently published data showing the differences between ISS products and Venofer<sup>®</sup> as an effective medication for haemodialysis patients. Velphoro<sup>®</sup> was launched in the US by Fresenius Medical Care North America at the beginning of March 2014. Further market approvals are anticipated in the EU, Switzerland and Singapore in mid-2014. In the Consumer Healthcare market, conditions are also expected to be challenging. The focus is on enlarging the portfolio through new product launches and new distribution deals.

## **LOGISTICS**

The Logistics Business sector posted slightly higher sales year-on-year at CHF 2,118.2 million (+0.8%). The effect of lower prices could be compensated by the acquisition of new customers. The Business sector also increased its earnings before interest and taxes (EBIT) by 1.3% to CHF 31.1 million. This positive margin growth is due to further improvements in efficiency. The return on sales was maintained at the previous year's level of 1.5%.

**High quality, broad range.** Several companies are interested in Switzerland-wide exclusive distribution via Galexis. The acquisition of new customers proves that a broad range, competitive prices and high quality are in demand throughout the logistics process. In July 2013, Galexis acquired Medifilm, the leading company in the field of blister packaging for medicines, thus extending its range of services with a new, attractive offering. As part of the "Coaxial" programme to improve efficiency, the different IT infrastructures in the Logistics, Retail and HealthCare Information Business sectors were standardised and merged into a single data centre in Niederbipp. The project is proceeding according to plan. A project to increase transport synergies within the Business sector also got off to a good start.

**Outlook for 2014.** The Federal Office of Public Health (FOPH) has mandated further price reductions. Pressure on costs will therefore continue in 2014. In light of this, the Logistics Business sector aims to improve the competitiveness of customers via services and to reduce costs via increased efficiency. Customer loyalty should therefore be strengthened in all segments. The focus is on broad product ranges, exclusive products and process improvements. Processes will be further optimised and the "Coaxial" project shall be completed in 2014. Furthermore, the logistics and distribution centre in Burgdorf will be equipped with a new pick-by-voice system.

## **RETAIL**

The Retail Business sector increased its sales by 4.8% to CHF 1,245.7 million in 2013 (excluding Coop Vitality). By far the largest proportion of this increase was due to the continued expansion of the own pharmacy network with the addition of twelve new locations, as a result of which the network now consists of 312 pharmacies. Like-for-like growth amounted to 1.6%; the Business sector thus developed slightly above the market growth of 1.0%. Price cuts in the Swiss pharmaceutical market continued to have a discernible impact and the Retail Business sector compensated for these with increased customer traffic and service-related sales in the pharmacies. Earnings before interest and taxes (EBIT) increased by 4.5% to CHF 63.0 million in 2013, return on sales remained at the previous year's level of 5.1%.

**Expansion of market presence.** In July 2013, GaleniCare acquired a 49% stake in the pharmacy Bahnhof Apotheke Zurich, thereby adding a highly successful pharmacy to the network.

Several projects are aimed at optimising customer service in the pharmacies. In a pilot project called Team Performance, selected Amavita pharmacies successfully tested ways of increasing efficiency in administrative processes, so as to allow staff to spend more time in advising customers and focusing on sales. To give another example: In 2013 more than 3,100 polymedication checks were carried out at Amavita and Coop Vitality pharmacies, five times as many as in 2012. It is not only patients who benefit from this improved treatment process; the health care system benefits too, thanks to the cost savings generated. MediService also expanded its Home and Pharma Care services in the core therapeutic areas of neurology, autoimmune diseases, oncology and haematology. Various activities aimed at enhancing efficiency were rolled out under the heading "LoRe". Two important elements are shelf price labelling and more efficient stock management in pharmacies. In the same context, in Amavita and Sun Store pharmacies, various key ratios on goods flows and stock management were defined and are measured on a monthly basis. This allows order volumes to be adapted more efficiently in line with actual requirements.

**Outlook for 2014.** The drop in sales and margins resulting from cost and price pressures will continue to be offset by moderate expansion of the pharmacy network, new service offerings and a more efficient organisation. The information from pilot and test programmes in 2013 will play a central role, with Team Performance processes implemented on a broader basis at Amavita as well as Sun Store and whilst being introduced at Coop Vitality.

## HEALTHCARE INFORMATION

In 2013, sales for the HealthCare Information Business sector declined by 15.5% to CHF 39.8 million, partly due to the absence of turnover from services following the sale of external ERP activities, but also because of a decline in the number of contracts concluded with the pharmaceutical industry for the Swiss Drug Compendium (Arzneimittel-Kompendium der Schweiz<sup>®</sup>). Earnings before interest and taxes (EBIT) amounted to CHF 4.0 million, 5.7% below the previous year's level.

**Swissmedic drug information system (AIPS) operational.** The system for regulatory drug information (Arzneimittelinformation Publikationsplattform Swissmedic, AIPS), created by Documed, was rolled out successfully in 2013. In addition, with the support of Documed and e-mediati, the Zurich Children's Hospital launched the "kinderdosierungen.ch" website covering around 330 active substances in 3,000 data sets. Finally, HCI Solutions completed the harmonisation of POS software for the Galenica Group's two largest pharmacy formats and began the simplification of central software components for Amavita and Sun Store.

**Outlook for 2014.** At e-mediati and Documed, there are plans to introduce a new platform, vitavista.ch, on which consumers and patients can obtain information about pharmacies' and drugstores' product ranges. Documed is extending data content portal functions in compendium.ch and the INDEX databases for pharmaceutical companies. HCI Solutions will introduce a new component, ActiveStock, in TriaPharm<sup>®</sup>, to simplify the flow of goods. Central control functions in TriaMed<sup>®</sup> will be extended.

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### **2013 Annual Report of the Galenica Group**

Further information can be found in the 2013 Annual Report of the Galenica Group. The PDF version can be downloaded from Galenica's website at the following link:

<http://www.galenica.com/en/investoren/publikationen/geschaeftsbericht.php>

### **Dates to remember in 2014**

Annual General Meeting	8 May 2014
Half-Year Report	12 August 2014

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*Galenica is a diversified group active throughout the healthcare market which, among other activities, develops, manufactures and markets pharmaceutical products, runs pharmacies, provides logistical and database services and sets up networks. The Galenica Group enjoys a leading position in all its Business sectors – Pharma, Logistics, Retail and HealthCare Information. A large part of the Group's income is generated by international operations. Galenica is listed on the Swiss Stock Exchange (SIX Swiss Exchange, GALN, security number 1,553,646).*

*For further information, please visit the company's website at [www.galenica.com](http://www.galenica.com).*