

## PRESS RELEASE

Date 12 August 2014  
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 Subject Results of the Galenica Group for the first half of 2014

### The Galenica Group is targeting an increase in profits for the 19<sup>th</sup> consecutive year in 2014

The continuing pressure on drug prices and margins, and the negative development of the various healthcare markets worldwide had a negative impact on the business activities of the Galenica Group. Despite this, all Business sectors were able to increase their earnings before interest and taxes (EBIT). The Group's management has set itself the target of increasing Group net profit on a comparable basis for 2014, both before and after deduction of minority interests, for the 19<sup>th</sup> consecutive year.

The consolidated net sales of the Galenica Group in the first half of 2014 totalled CHF 1,661.5 million (+0.8%). On a comparable basis and excluding one-time effects, net profit increased by 7.9% to CHF 149.6 million before minority interests and by 6.1% to CHF 134.7 million after deduction of minority interests.

Sales of Ferinject<sup>®</sup> rose by 17.0% to CHF 86.2 million, while the number of units (100 mg) sold grew by 25.7%. Venofer<sup>®</sup> generated sales of CHF 57.6 million (-2.9%). The pressure resulting from ISS products and Ferinject<sup>®</sup> substitution effects has decreased significantly year-on-year. The new phosphate binder Velphoro<sup>®</sup> was launched in the USA by partner Fresenius Medical Care North America in March and has seen very positive sales growth. At the end of June, the European Committee for Medicinal Products for Human Use (CHMP) recommended marketing authorisation for Velphoro<sup>®</sup>; the final decision is expected in autumn 2014.

The renewed drug price reductions imposed by the federal government and the associated decline in the Swiss pharmaceutical market, as well as the extremely mild flu season, had a strong impact on activities in Switzerland in the first half of 2014. Despite these difficult market conditions, the three Business sectors Logistics, Retail and HealthCare Information managed to generate an increase in EBIT year-on-year.

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

in million CHF	30.06.2014	30.06.2013			
		excluding one-time effects		including one-time effects	
Pharma	139.7	134.4	+4.0%	134.4	+4.0%
Logistics	15.9	15.8	+0.5%	15.8	+0.5%
Retail	30.4	30.2	+0.7%	30.2	+0.7%
HealthCare Information	3.8	2.6	+45.1%	2.6	+45.1%
Other and eliminations	(0.8)	(1.0)	--	20.7	--
<b>EBIT</b>	<b>189.0</b>	<b>182.0</b>	<b>+3.9%</b>	<b>203.7</b>	<b>-7.2%</b>
<b>EBITDA</b>	<b>227.5</b>	<b>219.1</b>	<b>+3.8%</b>	<b>240.8</b>	<b>-5.6%</b>
<b>Net profit</b>	<b>149.6</b>	<b>138.6</b>	<b>+7.9%</b>	<b>160.0</b>	<b>-6.5%</b>
Attributable to:					
_ Shareholders of Galenica Ltd.	134.7	126.9	+6.1%	148.2	-9.2%
_ Non-controlling interests	14.9	11.8	+27.1%	11.8	+27.1%

## **GALENICA GROUP**

The consolidated net sales of the Galenica Group in the first half of 2014 totalled CHF 1,661.5 million (+0.8%).

On a comparable basis, consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 3.8% to CHF 227.5 million, earnings before interest and taxes (EBIT) by 3.9% to CHF 189.0 million and net profit by 7.9% to CHF 149.6 million before deduction of minority interests and by 6.1% to CHF 134.7 million after deduction of minority interests.

Taking into account last year's positive one-time effects due to IAS 19 and the settlement of an international tax case, EBITDA declined by 5.6%, EBIT by 7.2% and net profit by 6.5% before deduction of minority interests, and by 9.2% after the deduction of minority interests. However, the one-time positive effects of CHF 21.7 million on 2013 EBITDA and EBIT and of CHF 21.3 million on net profit before and after deduction of minority interests only impacted the consolidated earnings of the Group, and not the earnings of the Business sectors.

Galenica continued to invest in research and development, with CHF 51.5 million invested in the first half of 2014 (first half of 2013: CHF 62.6 million) for projects including clinical studies with Ferinject®. Investments in property, plant and equipment and intangible assets totalled CHF 25.4 million (first half of 2013: CHF 33.1 million).

## **PHARMA**

Sales in the Pharma Business sector increased by 5.9% to CHF 337.2 million. The currency-adjusted growth rate was 7.3%, as primarily the US dollar weakness impacted the reported sales number negatively. Income from licensing fees for CellCept was CHF 46.4 million. Earnings before interest and taxes (EBIT) grew by 4.0% to CHF 139.7 million year-on-year.

### **Vifor Pharma Rx**

**Renewed growth of Ferinject®.** Sales of Ferinject® (Injectafer®) rose by 17.0% to CHF 86.2 million, while the number of 100 mg units sold increased by 25.7%. The increase in sales volumes in Great Britain and Ireland (+40%), where the drug is increasingly used to treat gastrointestinal diseases, was particularly pleasing. Other strong performers include the Netherlands (+21%), Spain (+16%) and Germany (+16%). In Switzerland, sales volumes were also up again, namely by 6.3%, demonstrating impressive growth in an already well developed market. By contrast, in France, the number of 100 mg units sold declined by 24% due to a temporary ban on promotion and the regulatory restriction that intravenous iron replacement products can no longer be administered in medical practices, but only in hospitals. Sales volumes have increased markedly in hospitals since this new regulatory restriction came into effect in February 2014, a clear sign that the transition from retail to hospital is taking place. For full-year 2014, IMS projected data suggest total sales in the range of CHF 220 to 250 million, and for the three markets Germany, Switzerland and the USA, annual sales of nearly CHF 50 million each, for Ferinject® (Injectafer®).

**The USA soon to be the market with the strongest sales for Ferinject®.** The US volume growth of 750 mg vials of Injectafer® (brand name of Ferinject® in the USA) was on track, showing steady gains every month. The USA is set to become the market with the strongest sales for Ferinject® in the second half of 2014. By the middle of the year, the IMS monthly market sales in the USA in local currency terms almost matched those in Switzerland, until now the most important market for Ferinject®, where the product was launched six years ago. For the 12-month period April 2014 to March 2015, US partner Luitpold Pharmaceuticals, Inc. set a sales target of USD 100 million, of which Galenica receives about one-third.

Venofer® had sales of CHF 57.6 million (-2.9%), and is still being impacted by price pressure resulting from iron sucrose similars (ISS) and Ferinject® substitution effects in Europe, although the decline has been noticeably less pronounced than in the prior year.

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Sales of other iron replacement products grew by 5.1% to CHF 34.4 million. Global sales of oral iron replacement product Maltofer<sup>®</sup> were CHF 23.2 million, down 14.0%, primarily as a result of destocking by partners. Based on IMS data, market sales of Maltofer<sup>®</sup> rose by 5.8%. Sales of other Vifor Pharma prescription products, which are mainly sold in Switzerland and Spain, amounted to CHF 35.0 million (+1.4%).

**Good progress for Velphoro<sup>®</sup>**. The new phosphate binder was launched in March 2014 on the US market by the partner Fresenius Medical Care North America. Initial sales have been very positive and the product has been very well received by the medical professionals. At the end of June 2014, Velphoro<sup>®</sup> (formerly known as PA21) received a positive opinion from the European Medicine Agency (EMA)'s Committee for Medicinal Products for Human Use (CHMP), recommending marketing authorisation for the control of serum phosphorus levels in adult patients with Chronic Kidney Disease (CKD) on haemodialysis or peritoneal dialysis. The final decision on the approval by the EMA is expected in autumn 2014.

Development of PA21 in Japan continues under the licensing agreement with Kissei Pharmaceutical Co., Ltd. Four phase III studies will be completed by the end of 2014 and the NDA submission is targeted before the end of the year.

**Maltofer<sup>®</sup> anniversary – still going strong.** 50 years ago, a pioneering product was launched which helped change the treatment of iron deficiency and iron deficiency anaemia worldwide: Maltofer<sup>®</sup>. It is now available in more than 80 countries. Vifor Pharma strives to build on this heritage, for instance by means of the continued expansion in China, where authorities accepted the submission of the clinical trial application (CTA) of Maltofer<sup>®</sup> Syrup and Tablets.

#### **Infectious diseases/OTX**

The Infectious Diseases/OTX franchise saw solid growth in its immunostimulant product range. Total sales amounted to CHF 58.6 million (+2.2%).

Global net sales of Broncho-Vaxom<sup>®</sup> improved to CHF 22.5 million (+5.5%). Sales of Uro-Vaxom<sup>®</sup> were CHF 9.2 million (+8.9%).

#### **Consumer Healthcare**

Vifor Pharma Consumer Healthcare had a challenging start to 2014 in Switzerland, given the lowest level of flu incidence in the last four years. Sales of OTC products in Switzerland consequently declined by 5.7% to CHF 28.7 million.

Vifor Pharma Consumer Healthcare will also start the distribution for Ginsana<sup>®</sup> products in Switzerland. Manufacturing in Bioggio (Ticino, Switzerland), Ginsana has a broad range of products based on natural ingredients. Another addition to the portfolio of new products is Rombellin<sup>®</sup> 5 mg Biotin, a product for regulating hair and nail growth.

The third-party manufacturing business in the Villars-sur-Glâne and Ettingen sites again expanded, with sales in the first six months of 2014 of CHF 21.4 million (+27.2%).

Export sales in the first half of 2014 were CHF 15.3 million (+13.0%). Geographic expansion continues to progress.

## LOGISTICS

Despite the abovementioned negative market influences, the Logistics Business sector was able to maintain almost steady sales in the first half of 2014 at CHF 1,042.4 million (-0.6%). The impact of officially imposed price cuts was offset by gaining new customers and expanding the range. Earnings before interest and taxes (EBIT) for the first six months were CHF 15.9 million, slightly up on the previous year's level (+0.5%).

**New services and products.** What is therefore required in a market that is shrinking in size is a spirit of innovation and entrepreneurship. Employees of the Logistics Business sector have for years been launching new services and products that generate higher sales or better margins for pharmacies. Examples include Medifilm, acquired in mid-2013, and the launch of a new standard range of medical technology devices for family doctors and general practitioners in the second half of 2013. Both new offerings have performed very well in 2014. Medifilm has even reached its capacity limits, so a fourth production machine has been installed.

The new Galexis offering, known as DEAL, has also been launched: every week, pharmacists benefit from the best prices on offer in the market. In addition, a vascular check was introduced: within five minutes, it gives pharmacy customers important information about the condition of their blood vessels.

**Expanding and optimising infrastructure.** New customer gains mean that capacity has to be expanded. Galenica is investing a considerable amount of money in extending the Niederbipp distribution centre, creating 3,300 m<sup>2</sup> of warehousing space – room for over 9,000 additional articles. The Lausanne-Ecublens location is also being modernised. These projects will be completed in 2016.

## RETAIL

In addition to the difficult market environment, the extremely mild flu season affected the sales of the Retail Business sector. In the first half of 2014, the pharmacy market in Switzerland declined in total by 2.2%. In addition, the number of pharmacies remained unchanged, with 312 own and 171 partner pharmacies. The number of new openings and acquisitions was the same as the number of closures. However, sales remained practically at the prior-year level with CHF 608.6 million (-0.2%), and earnings before interest and taxes (EBIT) even increased slightly by 0.7% to CHF 30.4 million.

**Ongoing investment.** The Retail Business sector has several strategic priorities that aim to compensate for the price-driven decline in sales. One of these is the project Team Performance, designed to improve the way customers and patients are looked after in pharmacies. Following pilot projects in 2013, the programme is being progressively rolled out in all pharmacies in 2014. AllergyCheck has also been rolled out: since spring 2014, over 3,000 rapid allergy tests have been carried out. Polymedication checks are continuing to prove popular. These are offered by Amavita and Coop Vitality to patients who take several medicines at the same time.

On-shelf pricing is being increasingly adopted. All Sun Store and more than half of all Amavita pharmacies are now working with the new system, which removes the need to put price labels on every single item. This also means that prices and offers are more visible to customers.

MediService is investing in treatment support programmes to improve patient compliance and long-term care for patients with chronic conditions. To this end, initial clinical studies and field trials are underway using a web-based program called Senaca™. This supports the need to change habits in a structured and planned way to achieve better health and a higher quality of life.

Amavita and Sun Store pharmacies have been renovated, merged or newly opened in various locations.

The eleven Winconcept partner pharmacies acquired at the end of 2013 are now able to access the entire range in full.

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## HEALTHCARE INFORMATION

Sales in the HealthCare Information Business sector of CHF 20.7 million in the first half of 2014 (-0.5%) almost reached last year's level, whereas earnings before interest and taxes (EBIT) rose significantly by 45.1% to CHF 3.8 million also due to further productivity gains.

Most pharmaceutical companies have now decided to provide information on their products in structured form in the Swiss Drug Compendium (Arzneimittelkompendium<sup>®</sup> der Schweiz). Compendium.ch and the INDEX databases give access to specialised technical and commercial information. Patient information is now also available in Italian.

**Ongoing innovations and investments.** The new application vitavista.ch is due to be launched in the fourth quarter of 2014. It informs consumers about the product ranges of pharmacies and drug stores online and on mobile devices such as tablets and smartphones, and also shows the direct route to the next pharmacy or drug store. Many providers have now uploaded attractively designed and edited product information.

In April 2014, information was given about the start of a project enabling physicians in the canton of Aargau to issue electronic prescriptions to their patients. The hard copy prescription includes a code that can be read electronically, identified and automatically added to the customer's record in the pharmacy.

Further information can be found in the half-year report for 2014 of the Galenica Group. The PDF version can be downloaded from the website of Galenica at the following link:  
<http://www.galenica.com/en/medien/publikationen/halbjahresbericht.php>

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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. With its two Business units Vifor Pharma and Galenica Santé, the Galenica Group enjoys a leading position in all its core business activities. 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 more information, please visit the company's website at [www.galenica.com](http://www.galenica.com).