

## PRESS RELEASE

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Subject Galenica Group half-year results 2015

### **Galenica: Profit increase expected in 2015 for the 20<sup>th</sup> consecutive year**

All Galenica Group businesses put in a very pleasing performance in the first half of 2015. In particular, Vifor Pharma managed to overcompensate the expected ceased milestone payments of about CHF 70 million through the sales-based consolidated earnings.

Although the first half of 2015 was impacted by currency exchange losses and accounting components of IAS 19, the Group management is raising the profit forecast and expects that 2015 – calculated at the average exchange rates during the first half of 2015 – will see the 20<sup>th</sup> consecutive increase in profit, both before and after minority interests.

The consolidated net sales of the Galenica Group rose by 7.9% in the first half of 2015 to CHF 1,792.3 million. Net profit before deduction of minority interests rose by 5.5% to CHF 157.8 million and net profit after deduction of minority interests declined by 2.8% to CHF 130.8 million. On a comparable basis – without currency exchange losses and accounting components of IAS 19 – net profit before deduction of minority interests rose by 13.8% to CHF 170.2 million and net profit after deduction of minority interests increased by 6.4% to CHF 143.2 million.

#### **Vifor Pharma**

Sales of Ferinject<sup>®</sup> rose by 30.1% to CHF 112.1 million, whereby the number of units sold (100 mg) increased by 41%. In the USA, partner Luitpold Pharmaceuticals, Inc., posted net sales of USD 48.9 million in the first half of 2015 – already nearly matching the sales figures for the full-year of 2014. The new phosphate binder Velphoro<sup>®</sup> also performed as planned and has now been launched in the US and nine other countries.

At the end of May 2015, Galenica entered into an exclusive licensing agreement with Roche to market and distribute the Roche Mircera<sup>®</sup> product in the US and Puerto Rico. Sales generated through the distribution agreement with Roche amounted to CHF 44.7 million in the first half of 2015.

#### **Galenica Santé**

The ongoing pressure on drug prices and the rising consumer tourism due to the strong Swiss franc continue to keep the Swiss healthcare market under pressure. Nevertheless, all of the Galenica Santé Business sectors have successfully held their ground, increasing both sales and EBIT.

Per 1 September 2015, Galenica Santé will introduce a new organisational and management structure with the three Business sectors: Products & Brands, Retail and Services.

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

in million CHF	1 <sup>st</sup> half-year 2015	1 <sup>st</sup> half-year 2014	Change in %
<b>Vifor Pharma</b>	150.0	139.7	+7.3
<b>Galenica Santé</b>	58.0	50.1	+15.9
- Retail	38.1	30.4	+25.1
- Logistics	16.2	15.9	+2.0
- HealthCare Information	4.0	3.8	+5.7
- Eliminations Galenica Santé	(0.3)	-	-
Corporate and eliminations	(7.2)	(0.8)	-
<b>EBIT</b>	<b>200.8</b>	<b>189.0</b>	<b>+6.2</b>
<b>EBITDA</b>	<b>240.3</b>	<b>227.5</b>	<b>+5.6</b>
<b>Net profit</b>	<b>157.8</b>	<b>149.6</b>	<b>+5.5</b>
Attributable to:			
- Shareholders of Galenica Ltd.	130.8	134.7	-2.8
- Minorities	27.0	14.9	+81.1

### GALENICA GROUP

In the first half of 2015, the Galenica Group realised consolidated net sales of CHF 1,792.3 million (+7.9%). Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 5.6% to CHF 240.3 million and operating result (EBIT) by 6.2% to CHF 200.8 million.

Net profit before deduction of minority interests rose by 5.5% to CHF 157.8 million and net profit after deduction of minority interests declined by 2.8% to CHF 130.8 million. On a comparable basis – without currency exchange losses (CHF -7.0 million) and accounting components of IAS 19 (CHF -5.4 million) – net profit before deduction of minority interests rose by 13.8% to CHF 170.2 million and net profit after deduction of minority interests increased by 6.4% to CHF 143.2 million.

In view of the now excellent data base for Ferinject<sup>®</sup>, less was invested in research and development as was expected (CHF 39.8 million, compared to CHF 51.5 million in the previous year).

Investments in tangible and intangible assets totalled CHF 188.6 million (previous year: CHF 25.4 million), including CHF 158.4 million upfront and expected milestone payments for the Mircera<sup>®</sup> licensing agreement with Roche.

Although results of the first half of 2015 were impacted by currency exchange losses and accounting components of IAS 19, the Group management is raising the profit forecast and expects that 2015 – calculated at the average exchange rates during the first half year 2015 – will see the 20<sup>th</sup> consecutive increase in profit, both before and after deduction of minority interests.

## VIFOR PHARMA

In the first half of 2015, the Vifor Pharma Business unit increased total net sales by 24.1% to CHF 418.4 million. Adjusted for currency effects, the increase was 26.9%. The distribution agreement with Roche for Mircera<sup>®</sup> generated sales of CHF 44.7 million. Income from licensing fees for CellCept was CHF 44.5 million compared to CHF 46.4 million in the first semester 2014.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at CHF 169.3 million, up by 7.4%, and consolidated earnings before interest and taxes (EBIT) increased by 7.3% to CHF 150.0 million. The planned decline in Other income from licence fee and cooperation agreements of CHF 70.2 million could therefore be compensated.

### Vifor Pharma Rx

**Ferinject<sup>®</sup> with sustained growth.** The volume and profitability growth of Vifor Pharma can mostly be attributed to its leading iron product Ferinject<sup>®</sup>/Injectafer<sup>®</sup>. Global sales generated by Vifor Pharma affiliates and by partners grew by 30.1% to CHF 112.1 million. The number of units sold grew in all regions and in total by 41%. The lower growth in net sales in CHF demonstrates the negative currency effects and the fact that prices remain under some pressure due to competition and regulatory cost containment measures.

In the USA, partner Luitpold Pharmaceuticals, Inc., posted net sales of USD 48.9 million in the first half of 2015 – already nearly matching the sales figures for full-year 2014 (USD 50.5 million). Vifor Pharma posted net sales of CHF 15.6 million of the US market.

The number of units (100 mg) sold across all regions globally rose by 41%. Particularly strong growth was seen in Australia (+331%), Portugal (+89%), Spain (+45%) and Germany (+43%). France is back on track again (+37%), after a new regulatory restriction last year that intravenous iron products can only be administered in hospitals and no longer in medical practices weighed on the business last year. In Switzerland, the number of Ferinject<sup>®</sup> units sold rose by 10%. This is a very pleasing result, given the strong penetration already achieved.

Market sales of Ferinject<sup>®</sup>/Injectafer<sup>®</sup> are accordingly developing very well. For full-year 2015, IMS projected data suggest total global market sales in the range of CHF 300 to 330 million.

**Velphoro<sup>®</sup> – positive early signs.** In the reporting period, Vifor Pharma generated CHF 14.3 million with the phosphate binder Velphoro<sup>®</sup>. The new product offers to control phosphate with “one pill per meal”, a value proposition that clearly differentiates the drug from other phosphate binders.

**Venofer<sup>®</sup> – trust in reliable iron delivery.** Venofer<sup>®</sup> sales of CHF 54.1 million in the first half-year (-6.1%) were impacted by pressure on prices. In contrast to previous years, Venofer<sup>®</sup> sales grew in North America. Venofer<sup>®</sup> continues to be the largest brand in the global parenteral iron market.

### Exclusive licensing agreements with Roche for Mircera®

At the end of May 2015, Galenica entered into an exclusive licensing agreement with Roche to market and distribute the Roche Mircera® product in the US and Puerto Rico. Mircera® is a long acting erythropoietin-stimulating agent (ESA/EPO) sold on prescription for treating symptomatic anaemia in adult patients both on and off dialysis who suffer from chronic kidney disease (CKD), making it an ideal addition to the current product portfolio for CKD patients. The distribution agreement with Roche generated sales of CHF 44.7 million in the first half of 2015. In 2015, Vifor Pharma will already post a three-digit sales volume with Mircera®.

### Net sales of Rx products Vifor Pharma:

in million CHF	1 <sup>st</sup> half-year 2015	1 <sup>st</sup> half-year 2014	Change in %
<b>Intravenous (i.v.) iron replacement products</b>			
Ferinject® and Injectafer®	112.1	86.2	+30.1
of which Injectafer® USA	15.6	n.a.	-
Venofer®	54.1	57.6	-6.1
<b>Other iron replacement products</b>	32.5	28.7	+13.2
of which Maltofer®	26.8	23.2	+15.3
<b>Erythropoietin (ESA/EPO)</b>			
Mircera®	44.7	n.a.	-
<b>Phosphate binder</b>			
Velphoro®	14.3	n.a.	-
<b>Other Rx products</b>	36.6	35.0	+4.8
<b>Revenues and licence fee income</b>			
CellCept	44.5	46.4	-3.9

**Infectious Diseases/OTX.** Sales in the Infectious Diseases/OTX franchise remained stable at CHF 58.7 million (+0.1%) in the first six months of 2015.

**Consumer Healthcare.** Vifor Pharma Consumer Healthcare saw a positive sales development in the first semester 2015, benefitting from a strong flu season. Sales of OTC products in Switzerland increased by 5.6% to CHF 30.3 million.

**Export.** Export sales declined during the first half-year 2015 by 9.8% to CHF 13.8 million. Anti-Brumm® sales in Germany fell after a strong year in 2014, and various partners changed their ordering cycle.

Vifor Pharma Consumer Healthcare was transferred to the Galenica Santé Business unit as of 1 July 2015. In the future, the reporting of the new company Vifor Consumer Health will henceforth take place under Galenica Santé.

**Toll manufacturing.** Sales in the third-party manufacturing business remained at the previous year's level at CHF 21.4 million (+0.1%).

## **GALENICA SANTÉ**

With the pharmacy networks, pharmaceutical logistics and data preparation, the Galenica Santé Business unit has a broad and solid foundation. However, the ongoing pressure on drug prices and rising consumer tourism as a result of the strong Swiss franc is continuing to keep the Swiss healthcare market under pressure. Nevertheless, the Business sectors of Galenica Santé have successfully held their ground: Sales in the first half of 2015 rose by 3.8% to CHF 1,409.6 million. This was particularly helped by new, high-price drugs, where the authorities set very low margins, and a historically strong flu epidemic. Earnings before interest and taxes (EBIT) increased strongly by 15.9% to CHF 58.0 million.

On 1 September 2015, Galenica Santé will introduce a new organisational and management structure with three Business sectors: Products & Brands, Retail and Services. With effect from 1 July 2015, Vifor Consumer Health, with its strong brands such as Perskindol<sup>®</sup>, Anti-Brumm<sup>®</sup>, Algifor<sup>®</sup> and Triofan<sup>®</sup>, was transferred to Galenica Santé and will be managed under the Products & Brands Business sector.

Reporting by Galenica Santé will in future be in two segments: the Products & Brands and Retail Business sectors will be combined under the "Health & Beauty" segment, while the current Logistics and HealthCare Information Business sectors will be combined under the "Services" segment.

### **Retail**

A strong flu epidemic had a positive impact on sales of medication and pharmacy sales in the first half of 2015. Nevertheless, the market environment remains challenging for the Retail Business sector. Return on sales suffered due to the considerable increase in expensive medicines with very low margins. A further round of price reductions on prescription-only medications also had to be absorbed. Consumer tourism and increasing competition from retailers are putting pressure on sales of perfumery, cosmetic and parapharmaceutical products.

With 320 own points of sale, the number of consolidated pharmacies was almost unchanged. Coop Vitality opened two new locations and now has 63 pharmacies. Including independent partners, the Galenica Santé pharmacy network currently has around 500 points of sale.

Sales in the Retail Business sector increased compared to the first half of 2014 by 5.1% to CHF 639.3 million (excluding Coop Vitality), and earnings before interest and taxes (EBIT) rose considerably by 25.1% to CHF 38.1 million. Return on sales (ROS) increased strongly to 6.0% (previous year: 5.0%). The fact that it was possible to improve both earnings and profitability in such a difficult market environment is also a result of the implementation of the strategic projects launched in recent years.

### **Logistics**

The Logistics Business sector increased its sales in the first half of 2015 by 3.7% to CHF 1,080.9 million, despite strong competition and stricter legislative requirements. Sales were driven by the historically strong flu epidemic together with an increase in high-priced medicines. The latter have low margins, however – an effect which has been intensified by the government-mandated price reductions. Earnings before interest and taxes (EBIT) rose by 2.0% to CHF 16.2 million. The return on sales (ROS) remained unchanged at 1.5%.

The expansion of the Niederbipp logistics centre started on schedule and will make it possible to handle increased volumes in future while also increasing efficiency.

### **HealthCare Information**

The HealthCare Information (HCI) Business sector increased its sales by 3.7% to CHF 21.5 million in the first half of 2015. Earnings before interest and taxes (EBIT) also improved year-on-year by 5.7% to CHF 4.0 million, due among other factors to lower depreciation of software developments. The return on sales (ROS) further increased to 18.5%.

For further details, please see the Galenica Group half-year report 2015. The PDF version is available on the Galenica website at:

[Download half-year report 2015](#)

#### **Conference call and webcast access**

Galenica will host an analyst and investor conference call and webcast today, Tuesday, August 11, at 3:00 p.m. CET, during which the company will present the company's financial results for the first half of 2015. To access the conference call (the call will be held in English), please dial

- Switzerland: +41 (0)22 417 7109
- USA: +1 718 354 1359
- Other countries: +44 (0)20 3427 1906

The call will also be webcast and accessible through the Investors section of the company's website at [www.galenica.com](http://www.galenica.com).

#### **Replay**

A telephone replay will be available from approximately 6:00 p.m. CET on August 11, 2015 through midnight on August 18, 2015. To access a replay of the conference call, dial

- Switzerland: +41 (0)22 592 7553
- USA: +1 347 366 9565
- Other countries: +44 (0)20 3427 0598

The webcast replay will also be available at [www.galenica.com](http://www.galenica.com) from approximately 6:00 p.m. CET on August 11, 2015, for a period of one year.

The pass code for the live call and the replay is **5254947**.

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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).