

PRESS RELEASE

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Subject Results of the Galenica Group 2015

Galenica 2015: profit increased for the 20th consecutive year

The Galenica Group recorded profit growth for the 20th consecutive year in 2015. Allowing for negative effects due to IAS 19, net profit before deduction of minority interests rose by 18.6% to CHF 370.0 million and by 5.8% to CHF 301.1 million after deduction of minority interests. On a comparable basis – without negative effects due to IAS 19 – net profit before deduction of minority interests rose by 21.1% and net profit after deduction of minority interests by 8.6%. The division of the Galenica Group into two independent listed companies is planned for the fourth quarter of this year. Group management has therefore decided to issue separate earnings guidance in 2016 for each of the two Business units, Vifor Pharma and Galenica Santé. In view of outstanding legal and organisational decisions affecting the financial results of the two Business units, guidance will be provided at upstream EBIT level.

The Board of Directors will propose to the Annual General Meeting on 28 April 2016 a dividend of CHF 18.00 (previous year: CHF 15.00) per registered share.

Vifor Pharma

Vifor Pharma further expanded its leadership in the iron replacement product segment and helped grow the overall market in 2015. Spurred by the effective implementation of refocused promotional efforts and continued expansion in the USA, the leading iron replacement product Ferinject®/Injectafer® increased sales by 33.2% to CHF 250.9 million. As a result, the outstanding growth trend from the first half of 2015 was improved further still. According to IMS data, global market sales of Ferinject®/Injectafer® totalled in 2015 approximately CHF 370 million, an increase of 40%. With sales of CHF 43.2 million (+190.6%), the phosphate binder Velphoro® for patients suffering from chronic kidney disease also performed very well.

In addition, Vifor Pharma was able to conclude an exclusive licensing agreement with Roche for the commercialisation of the long-acting Erythropoietin Stimulating Agent (ESA) Mircera® in the USA and Puerto Rico, while Vifor Fresenius Medical Care Renal Pharma (VFMCRP), the common company between Vifor Pharma and Fresenius Medical Care in the Nephrology area, concluded an exclusive partnership with US company Relypsa to commercialise the potassium binder Veltassa™ (Patiromer FOS) in all markets outside the USA and Japan.

Overall, Vifor Pharma managed to record net sales of CHF 967.0 million in 2015, an increase of 36.9% from the previous year. EBIT rose by 25.7% to CHF 333.0 million. Not only was the expected decline in other operating income of CHF 93.0 million therefore fully compensated; a sharp net increase in earnings was achieved due to the strong performance of new products. Despite significant investments in long-term projects such as Veltassa™ (Patiromer FOS), the management of Vifor Pharma has set itself the goal for 2016 of achieving at least the same level of EBIT as in the previous year on a comparable basis.

Galenica Santé

Galenica Santé performed very well, especially in a market environment that came under heavy pressure from the euro exchange rate and consumer tourism. In July, the newly established company Vifor Consumer Health was transferred to Galenica Santé, complementing the portfolio perfectly thanks to its strong brands. In addition, the organisational structure was adapted with a view to the planned independence.

Galenica Santé increased sales in 2015 by 3.9% to CHF 2,891.3 million. EBIT rose by 21.7% to CHF 125.2 million, supported by Vifor Consumer Health, which was established on 1 July 2015. On a comparable basis, EBIT also saw a double-digit increase, up 14.4%.

Despite a persistently difficult market situation, the management of Galenica Santé has set itself the goal for 2016 of once again increasing EBIT on a comparable basis from the previous year.

EBIT, EBITDA and consolidated net profit of the Galenica Group

(in million CHF)	2015	2014	in %
Vifor Pharma	333.0	265.0	+25.7%
Galenica Santé	125.2	102.9	+21.7%
- Health & Beauty	84.5	66.6	+26.9%
- Services	37.1	34.9	+6.4%
Eliminations Galenica Santé	3.6	1.4	-
Corporate and eliminations	(7.4)	2.3	-
EBIT	450.8	370.2	+21.8%
EBITDA	537.4	446.8	+20.3%
Net profit	370.0	312.0	+18.6%
Attributable to:			
- shareholders Galenica Ltd.	301.1	284.5	+5.8%
- minority interests	68.9	27.5	+150.4%

GALENICA GROUP

In 2015, the Galenica Group realised consolidated net sales of CHF 3,791.6 million (+11.0%). Allowing for negative effects due to IAS 19, consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 20.3% to CHF 537.4 million and earnings before interest and taxes (EBIT) by 21.8% to CHF 450.8 million. Net profit before deduction of minority interests rose by 18.6% to CHF 370.0 million and net profit after deduction of minority interests by 5.8% to CHF 301.1 million.

On a comparable basis – without negative effects due to IAS 19 – EBITDA rose by 22.3%, EBIT by 24.2%, net profit before deduction of minority interests by 21.1% and net profit after deduction of minority interests by 8.6%. In 2015, IAS 19 reduced EBITDA and EBIT by CHF 9.0 million and net profit before and after deduction of minority interests by CHF 7.8 million. This only impacted the consolidated earnings of the Group, not the earnings of the Business sectors.

Galenica continued to invest in research and development, with CHF 88.8 million (previous year: CHF 104.2 million) for projects including clinical studies with Ferinject®. Investments in property, plant and equipment and intangible assets totalled CHF 368.6 million (previous year: CHF 70.0 million). This also includes upfront and future milestone payments for licensing agreements, for example with Roche (Mircera®) and Relypsa (Veltassa™ - Patiromer FOS).

Annual General Meeting 2016. The Board of Directors will recommend a dividend of CHF 18.00 (+20.0%) per registered share (previous year: CHF 15.00) to the Annual General Meeting on 28 April 2016. The pay-out ratio will therefore rise to 38.7%. Dr. Hans Peter Frick (1946), member of the Board of Directors since 2010, will not stand for re-election to the Board of Directors at the forthcoming Annual General Meeting.

Outlook for 2016

The division of the Galenica Group into Vifor Pharma and Galenica Santé is planned for the fourth quarter of this year. Preparations for this are underway and are progressing as scheduled. In view of the division, Group management has decided to issue separate earnings guidance in 2016 for each of the two Business units, Vifor Pharma and Galenica Santé. As a result of outstanding legal and organisational decisions affecting the financial results of the two Business units, guidance will be provided at upstream EBIT level.

VIFOR PHARMA

Vifor Pharma demonstrated strong momentum throughout the year. The Business unit generated total net sales of CHF 967.0 million, up 36.9% from the previous year. Adjusted for currency effects, the increase was 40.1%. Within this context, the in-licensing agreement with Roche for Mircera®, effective as of May 2015, has already contributed with significant sales of CHF 206.8 million. On the other hand, with Vifor Consumer Health having been transferred to Galenica Santé, the respective revenues, both in Switzerland and export sales, have not been attributed to Vifor Pharma since 1 July 2015. Income from licensing fees for CellCept was CHF 88.5 million compared to CHF 91.8 million in 2014. Earnings before interest and taxes (EBIT) rose by 25.7% to CHF 333.0 million. The expected decline in other operating income of CHF 93.0 million was therefore more than compensated. Investment in research and development totalled CHF 81.8 million (previous year: CHF 98.1 million).

Spurred by the effective implementation of refocused promotional efforts and continued expansion in the USA, the leading iron replacement product Ferinject®/Injectafer® increased global sales by 33.2% to CHF 250.9 million. These sales comprise own sales by Vifor Pharma sales affiliates as well as sales by partners, with Vifor Pharma receiving a share of partner sales. However, the IMS data reflects the actual market sales development, which continues to accelerate. In 2015, global market sales totalled approximately CHF 370 million, an increase of 40%.

The roll-out of the new phosphate binder Velphoro® in the USA and major European markets continued to drive expansion in the broader nephrology market. In addition, Vifor Pharma signed an exclusive licensing agreement for the commercialisation of Roche's drug Mircera® in the USA and Puerto Rico, while VFMCRP entered into an exclusive partnership with US company Relypsa to commercialise the potassium binder Veltassa™ (Patiromer FOS) in all markets outside the USA and Japan.

Outlook for Vifor Pharma

The top priority for 2016 is to retain global leadership within, and assure continued expansion of the iron replacement market. Emphasis is on further expansion of Ferinject®/Injectafer® in existing geographical markets, in particular the USA. Ferinject®/Injectafer® growth will also be supported by launches in additional countries in 2016. Vifor Pharma will also back the common company VFMCRP in extending its position as leading player in nephrology. Core activities include the successful continuation of the Velphoro® launch programme and prelaunch activities for Veltassa™ (Patiromer FOS).

Despite significant investments in long-term projects such as VeltassaTM (Patiromer FOS), the management of Vifor Pharma has set itself the goal for 2016 of achieving at least the same level of EBIT as in the previous year on a comparable basis.

GALENICA SANTÉ

Galenica Santé increased sales in 2015 by 3.9% to CHF 2,891.3 million and EBIT by 21.7% to CHF 125.2 million, supported by Vifor Consumer Health, which was transferred to Galenica Santé on 1 July 2015. On a comparable basis EBIT increased by 14.4%. At the same time, the increase in volumes and profitability is all the more significant, given that sales in the reporting period were driven by high-priced medications with relatively low margins. This effect was more than offset by further progress in operational efficiency as well as the strong flu season during the first few months of the year 2015.

The Health & Beauty segment grew net sales by 7.7% to CHF 1,396.7 million. On a comparable basis sales increased by 4.4%. Earnings before interest and taxes (EBIT) rose by 26.9% to CHF 84.5 million. On a comparable basis, EBIT grew by 15.5%. Return on sales (ROS) increased strongly from the previous year by 1% to 6.1%. Investments totalled CHF 17.7 million in 2015.

The new **Products & Brands Business sector** generated sales of CHF 113.0 million in 2015, up by 68.3%, including the sales of Vifor Consumer Health, which were added as of 1 July 2015. On a comparable basis sales grew by 4.5%. Vifor Consumer Health clearly outperformed in its market. In the period under review, it was again successful in expanding its product range with established consumer brand companies.

The **Retail Business sector** was able to increase sales by 4.5% in 2015, to CHF 1,307.6 million. As in 2014, sales development reflected like-for-like growth, with the number of consolidated pharmacies remaining stable. With 318 own and 173 partner pharmacies, Retail operates the largest pharmacy network in Switzerland.

The **Services segment** increased sales in 2015 by 3.4% to CHF 2,224.6 million, despite strong competition and stricter legal requirements. Important drivers were the launch of new offers and acquisition of new customers, the widespread flu epidemic and the significant increase in high-priced medicines. Earnings before interest and taxes (EBIT) rose by 6.4% to CHF 37.1 million, while return on sales (ROS) increased slightly to 1.7%. Investments were significantly higher year-on-year at CHF 26.9 million (2014: CHF 20.7 million). These investments were primarily in the extension of the Niederbipp site and a new automated line for fast-moving items in the Lausanne-Ecublens distribution centre.

Outlook for Galenica Santé

In 2016, Galenica Santé intends to expand the existing product range and launch new products via the new Products & Brands Business sector. In Retail, the focus is on an even more efficient organisation and leaner business processes. Services will bring the expanded Niederbipp distribution centre into commission and further consolidate and extend its market position with high-quality services and innovative offerings.

Despite a persistently difficult market situation, the management of Galenica Santé has set itself the goal for 2016 of once again increasing EBIT on a comparable basis from the previous year.

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2015 Annual Report of the Galenica Group

Further information can be found in the 2015 Annual Report of the Galenica Group. The PDF version can be downloaded from Galenica's website: [Link to the annual report](#)

Dates for the diary

Annual General Meeting	28 April 2016
Half-year report	9 August 2016

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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).

Additional information concerning the Galenica Group can be found at www.galenica.com.