

PRESS RELEASE

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Subject 2019 annual results of the Galenica Group

Galenica 2019: Result improved – dividend increased

Significantly stronger growth than the market

The Galenica Group increased consolidated net sales by 4.3% to CHF 3,301.0 million in 2019, clearly outperforming the market in all Business sectors despite the fact that sales continued to be negatively impacted by the federal price reduction measures implemented in 2018 and 2019 (market: +2.8%, IQVIA, Pharmaceutical Market Switzerland 2019).

EBIT increased and profitability further enhanced

Thanks to targeted expansion activity and acquisitions, the introduction of new products and services, and measures to increase efficiency across the Group, Galenica has significantly improved its 2019 result:

The operating result (EBIT) was increased by 50.0% to CHF 169.5 million. On a comparable basis, that is excluding the effects of the new lease accounting standard IFRS 16 and of IAS 19 (Employee Benefits), the adjusted operating result was CHF 166.9 million (8.3% more than in the previous year). Adjusted return on sales (ROS) was increased from 4.9% in 2018 to 5.1%. Net profit declined year-on-year by 15.1% to CHF 125.3 million due to one-off effects. Excluding the one-off effects of changes in the provisions for deferred taxes, and excluding the effects of the new lease accounting standard IFRS 16 and of IAS 19 (Employee Benefits), net profit would have improved on a comparable basis by 7.7% to CHF 134.2 million.

Accordingly, the Board of Directors of the Galenica Group will propose a dividend of CHF 1.80 per share to the Annual General Meeting on 19 May 2020, a 5.9% increase on the previous year (CHF 1.70).

Outlook for 2020

Galenica expects consolidated net sales to grow by 1% to 3% in 2020.

At the same time, Galenica aims to further increase adjusted operating result EBIT (excluding the effects of IFRS 16 and IAS 19) by between 3% and 6%, and plans to propose a dividend of at least the prior-year level to the 2021 Annual General Meeting.

2019 key figures for the Galenica Group

(in CHF million)	2019	2018	Change
Net sales			
Health & Beauty segment	1,620.8	1,524.8	+6.3%
- Retail	1,515.7	1,430.5	+6.0%
- Products & Brands	102.1	91.7	+11.3%
Services segment	2,441.0	2,372.3	+2.9%
Corporate and eliminations	(760.8)	(732.1)	
Galenica Group	3,301.0	3,165.0	+4.3%
EBIT adjusted¹⁾			
Health & Beauty segment ¹⁾	123.7	110.4	+12.1%
Services segment ¹⁾	44.7	44.2	+1.1%
Corporate and eliminations	(1.5)	(0.5)	
Galenica Group¹⁾	166.9	154.1	+8.3%
Net profit comparable²⁾	134.2	124.7	+7.7%

¹⁾ Excluding the effects of IFRS 16 and of IAS 19 (details of the adjusted key figures from page 92 onwards in the full version of the Annual report 2019)

²⁾ Adjusted net profit, excluding the effects of IFRS 16 and IAS 19 (details of the adjusted key figures from page 92 onwards in the full version of the Annual report 2019) and excluding one-off effects from changes in the provisions for deferred taxes of CHF +56.2 million in 2018 and CHF -8.4 million in 2019 due to the Swiss Tax Reform

GALENICA GROUP

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Thanks to targeted expansion activity and acquisitions, the introduction of new products and services, and measures to increase efficiency across the Group, Galenica has significantly improved its 2019 result:

The operating result (EBIT) was increased by 50.0% to CHF 169.5 million. It was impacted by CHF +2.7 million due to the effects of the new lease accounting standard IFRS 16 and by CHF -0.1 million as a result of IAS 19 (Employee Benefits). On a comparable basis, that is excluding these effects, the adjusted¹⁾ operating result was CHF 166.9 million (8.3% more than in the previous year). Adjusted¹⁾ return on sales (ROS) was increased from 4.9% in 2018 to 5.1%.

Net profit declined year-on-year by 15.1% to CHF 125.3 million due to one-off effects. Excluding the one-off effects of changes in the provisions for deferred taxes of CHF +56.2 million in 2018 and CHF -8.4 million in 2019 due to the Swiss Tax Reform, and excluding the effects of the new lease accounting standard IFRS 16 and of IAS 19 (Employee Benefits), net profit would have improved on a comparable basis²⁾ by 7.7% to CHF 134.2 million.

Investments in the 2019 financial year totalled CHF 53.0 million and were mainly made in the introduction of the new ERP system at Alloga, the renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens and the further development of the pharmacy network in the Retail Business sector.

Despite brisk acquisition activity, including the acquisition of the Bichsel Group, adjusted¹⁾ net debt of CHF 326.1 million remained unchanged compared to the previous year at 1.5x adjusted¹⁾ EBITDA.

Change at the top of the Galenica Group

Jean-Claude Clémenton will take early retirement in mid-2020. Marc Werner will succeed Jean-Claude Clémenton as CEO of the Galenica Group on 1 April 2020. Marc Werner was previously head of the Sales & Services Business segment and a member of the Group Executive Board at Swisscom.

Change to the Board of Directors of the Galenica Group

The Board of Directors will propose Pascale Bruderer to shareholders for election as a new member of the Board of Directors at the Annual General Meeting on 19 May 2020. Pascale Bruderer was a member of the National Council for the Social Democratic Party of Switzerland (SP) from 2002 to 2011 – as president of the National Council in 2009/2010 – and a member of the Council of States from 2011, before retiring from politics in December 2019.

At the same time, after more than 40 years of ties to Galenica, Fritz Hirsbrunner will not stand for re-election to the Board of Directors at the Annual General Meeting on 19 May 2020.

Dividend increase

At the Annual General Meeting on 19 May 2020, the Board of Directors of the Galenica Group will propose to shareholders a dividend of CHF 1.80 per share, 5.9% higher than last year (previous year: CHF 1.70). Due to the Swiss Tax Reform, only half of this amount, that is CHF 0.90, can be paid out from the capital contribution reserve.

HEALTH & BEAUTY SEGMENT

The Health & Beauty segment increased net sales in 2019 by 6.3% to CHF 1,620.8 million. The further strengthening of the pharmacy network and the acquisition of the Bichsel Group in May 2019 notably contributed to the sales development. The adjusted¹⁾ operating result (EBIT) of the Health & Beauty segment, that is excluding the effect of the new lease accounting standard IFRS 16, increased by 12.1% to CHF 123.7 million. The first-time adoption of IFRS 16 increased EBIT by a further CHF 2.6 million to CHF 126.3 million. Adjusted¹⁾ return on sales (ROS) was improved by 0.4 percentage points to 7.6% (previous year: 7.2%). Investments in the Health & Beauty segment totalled CHF 22.5 million (previous year: CHF 14.1 million) and were principally used for the development and launch of new products and services, the rebuilding and renovation of pharmacies and IT projects.

Retail

The Retail Business sector increased net sales in 2019 by 6.0% to CHF 1,515.7 million (excluding Coop Vitality). The number of own pharmacies as of the end of 2019 totalled 356 locations (+11 compared to the end of 2018). The expansion of the pharmacy network and acquisitions accounted for 5.6% of the sales increase. On a comparable basis, net sales for 2019 increased by 0.4%. The government-mandated price reduction measures for medications had a negative impact of 1.8% on sales growth. Excluding these price reductions, organic growth (excluding expansion effects) would have amounted to a pleasing 2.2%. Generic substitution of a good 70%, which is actively promoted by Galenica, also curbed sales because of the lower medication prices.

By way of comparison, medication sales (Rx and OTC products) in the Swiss pharmacy market as a whole declined by 0.2% (IQVIA, Pharmaceutical Market Switzerland 2019). Sales of other products (non-medications) declined by 0.7% over the same period (IQVIA, Personal Care, Patient Care and

Nutrition 2019).

The pharmacy network of the Retail Business sector saw above-average growth in the year under review. A total of 11 locations were acquired and 8 new pharmacies opened. At the same time, 8 locations were closed down as part of optimisation measures and the customers and employees transferred to Amavita, Sun Store or Coop Vitality pharmacies nearby. Accordingly, the number of own pharmacies as of the end of 2019 increased by 11 locations to 356. Together with the 157 points of sale of the independent Winconcept and Amavita partner pharmacies, the Swiss pharmacy network of the Galenica Group comprised 513 pharmacies at the end of 2019.

Products & Brands

The Products & Brands Business sector, which mainly comprises the business activities of Verfora, achieved net sales totalling CHF 102.1 million (+11.3%) in 2019. This pleasing growth was due in part to solid increases in sales of Algifor[®], Triofan[®], Triomer[®] and the magnesium-based products, as well as the launch of the new own derma-cosmetics range Dermafora[®]. Distribution in Switzerland of the well-known Vicks[®] products and of Metamucil[®], which was taken over from Procter & Gamble at the beginning of 2019, also contributed to this success.

Products & Brands increased net sales in the Swiss market by 11.4% to CHF 82.1 million, thus clearly exceeding the growth of the consumer healthcare market of 1.0% (IQVIA, Consumer Health Market Switzerland 2019). As a result, Verfora was able to successfully build on its leading position in the Swiss consumer healthcare market in the year under review.

Export sales were up 11.0% to CHF 20.0 million. Solid sales of Perskindol[®] in Asia and Anti-Brumm[®] in Europe contributed in particular to this positive performance.

SERVICES SEGMENT

The Services segment generated net sales of CHF 2,441.0 million in 2019, an increase of 2.9% compared to the previous year. The good sales performance is particularly pleasing given that the federal price reduction measures mandated in 2018 and 2019 continued to impact negatively on sales in the Services segment in the year under review. Excluding the effect of these price reductions for medications by the authorities (-2.3%), sales development for the segment would have amounted to 5.2%. This was achieved in an overall market whose growth of 2.8% (IQVIA, Pharmaceutical Market Switzerland 2019) was driven especially by the positive sales performance of hospitals of 6.1% (IQVIA, Pharmaceutical Market Switzerland 2019) and high-priced special medications. The latter are usually not supplied via wholesale but directly to hospitals and specialist doctors (doctors: +5.5%, IQVIA, Pharmaceutical Market Switzerland 2019).

The adjusted¹⁾ operating result (EBIT), that is excluding the effects of the new lease accounting standard IFRS 16, was CHF 44.7 million (+1.1%). However, the first-time adoption of IFRS 16 in financial year 2019 had with CHF 0.1 million no significant effect on the EBIT of CHF 44.8 million (2018: CHF 44.2 million) of the Services segment.

Adjusted¹⁾ return on sales (ROS) was 1.8% (previous year: 1.9 %). Investments by Services in financial year 2019 totalled CHF 31.0 million (previous year: CHF 36.1 million) and were used in particular for the gradual roll-out and implementation of the new enterprise resource planning (ERP) software at Alloga and for the modernisation and renovation of the Galexis distribution centre in Lausanne-Ecublens.

Further information can be found in the Annual report 2019 of the Galenica Group. The PDF version is available on the Galenica website:

[Download Annual Report 2019](#)

OUTLOOK FOR 2020

GALENICA GROUP

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The Galenica Group intends to continue to develop along the three axes of expansion, innovation and efficiency in 2020 and to press ahead with the launched initiatives and projects.

RETAIL

Galenica intends to steadily expand its leading position in the Swiss pharmacy market by further developing all channels. On the one hand, this will be done by consistently expanding and optimising the pharmacy network and launching new, innovative services and products with added value for customers, and on the other, by steadily enhancing the range of products available in online shops. Within this context, preparations are ongoing for the Amavita, Sun Store and Coop Vitality pharmacies to be able to also offer their customers the services of a mail-order pharmacy, likely in the second half of 2020. The networking of both online and offline offers will make a significant contribution to the successful implementation of the omni-channel approach. Mediservice aims to expand its therapy support offering in 2020. The integration of the Bichsel Group will continue as planned in 2020.

PRODUCTS & BRANDS

Verfora aims to continue to be a strong and reliable partner for the entire specialist retail trade in the future. This includes further developing sales promotion services for the specialist retail trade and further enhancing its effective cooperation with partners. At the same time, the Products & Brands Business sector will consistently expand and complement its existing product portfolio. Towards the end of 2020, Verfora will relaunch Vita-Merfen[®], the well-known and popular brand for disinfection and wound healing. Vita-Merfen[®] was taken off the market in 2015 by its former brand owner due to production difficulties. Verfora acquired the brand together with Merfen[®] in May 2017 and has since then been working with full commitment towards its relaunch. Since March 2020 work has also been underway on the launch of the first multivitamin and mineral hot drink Veractiv[®], in capsule form. Finally, in the first quarter of 2020, Verfora took over distribution of the important Bucco Tantum[®] brand from the Italian pharmaceutical company Angelini and the Omni-Biotic[®] brand from Institut Allergosan.

SERVICES

The focus at Alloga in 2020 will be the further implementation of the new ERP system (enterprise resource planning). The pilot projects with various customers will run until summer 2020 and form the basis for the subsequent rollout.

Galexis will focus on the modernisation and renovation of the Lausanne-Ecublens distribution centre in 2020. Medifilm is working on introducing the next generation of blistering machines in the second half of 2020. In addition, Medifilm now also wants to address pharmacies' individual patients as a target group. HCI Solutions will support the introduction of Documedis[®] in reference communities and assist them once they are certified by the Federation so that they can offer the electronic patient record.

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DATES FOR THE DIARY:

19. May 2020: Annual General Meeting of Galenica Ltd. (Kursaal, Bern)
4. August 2020: Publication of the half-year report 2020 of the Galenica Group

Live conference call and webcast

Galenica will host a conference call and webcast today, Tuesday, 10 March 2020 at 2.00 p.m. CET.

You can access the webcast directly via [this link](#) or via the company website www.galenica.com in the "Investors" section.

To access the conference call (the call will be held in English), please dial:

- Switzerland: +41 44 580 65 22
- Other European countries: +49 69 201 744 210
- USA: +18 77423 0830

The passcode for the live call is 71266090#.

The webcast will be available from 5.00 p.m. CET on 10 March 2020 for a period of three months at www.galenica.com, in the "[Investors](#)" section.

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Galenica is the leading fully integrated healthcare provider in Switzerland. With over 500 own, joint venture and independent partner pharmacies, Galenica operates the largest network of pharmacies in Switzerland. In addition, Galenica further develops and offers well-known own brands and products, exclusive brands and products from business partners as well as a variety of on-site health services and tests for customers. Galenica is also the leading provider of pre-wholesale and wholesale distribution services as well as database services in the Swiss healthcare market. Galenica is listed on the Swiss Stock Exchange (SIX Swiss Exchange, GALE, security number 36,067,446). Additional information concerning Galenica can be found at www.galenica.com.