

First point of contact for healthcare advice



Daniela Bosshardt, Chairwoman of the Board of Directors, and Marc Werner, CEO

Dear Shareholders, Ladies and Gentlemen,

2020 will go down in the history of the Galenica Group as an exceptional and particularly challenging year. The coronavirus and its consequences placed extreme demands on our various Group companies, especially in the first half of the year.

Galenica passed this test of endurance with flying colours, proving our ability to master difficult situations and special challenges thanks to our outstanding performance. In addition, 2020 clearly highlighted the critical role played by the Galenica Group and its business activities, some of which are systemically relevant to the Swiss healthcare market, whether in the nationwide supply of medicines or as the first point of contact for healthcare advice and support. To read more about the efforts being undertaken by Galenica in relation to patient safety, please see the sustainability coverage from page 34.

Key figures 2020

- Net sales:
CHF 3,479.8 million
 - EBIT adjusted¹⁾:
CHF 168.6 million
 - Net profit adjusted¹⁾:
CHF 138.0 million
 - Investments: CHF 57.0 million
 - Employees: 7,205
(5,538 full-time equivalents)
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¹⁾ See section "Alternative performance measures" from page 86 onwards in the Annual report 2020 (full version)

Significant impact of COVID-19

At the onset of the COVID-19 pandemic in spring 2020, the points of sale and online shops of Amavita, Sun Store and Coop Vitality pharmacies recorded above-average sales. The logistics companies Alloga, Galexis and Unione Farmaceutica Distribuzione (UFD) were also confronted with unprecedented order volumes during this period. Thanks to the considerable dedication of all employees, delays in deliveries or delivery problems with medicines were reduced to a minimum and operations in the pharmacies were ensured.

The Bichsel Group significantly ramped up its production capacity for infusion and rinsing solutions as well as disinfectants in order to meet the increased demand from hospitals in particular. On account of these domestic production laboratories, the Bichsel Group was classified as a systemically relevant company by the Federal Office for National Economic Supply (FONES) in the year under review.

Of course, COVID-19 also had negative effects on Galenica. To begin with, the decline in sales at pharmacies in high-frequency locations such as railway stations or airports dented results. In addition, the pharmacies were forced to temporarily close their perfumery ranges. At the same time, there was less demand for products for treating colds, which impacted Verfora's sales and also affected the Group's earnings.



Key figures for the Galenica Group 2020

Galenica has adapted its organisational and management structure as of 1 January 2021. The new structure does not affect the reporting for financial year 2020, which is based on the segment and Business sector structure valid until 31 December 2020.

The Galenica Group generated consolidated net sales of CHF 3,479.8 million in 2020, representing a strong increase of +5.4%. The Swiss pharmaceutical market grew by +2.9% in 2020 despite government-mandated price reductions (IQVIA, Pharmaceutical Market Switzerland 2020). With slightly lower volumes (-1.8%, IQVIA Pharmaceutical Market Switzerland 2020), this is a clear indication that market growth was again driven by rising sales of high-priced medications.

The adjusted¹⁾ operating result (EBIT), i.e. excluding the effects of the IFRS 16 (Leases) and IAS 19 (Employee Benefits) accounting standards, amounted to a solid CHF 168.6 million and at +1.0% was up slightly on the previous year (CHF 166.9 million). Due to an accounting gain related to IAS 19 in the amount of CHF 43.0 million, mainly attributable to the adjustment of conversion rates in the Galenica Pension Fund, EBIT increased by 25.9% to CHF 213.3 million (previous year: CHF 169.5 million).

Adjusted¹⁾ return on sales (ROS) declined slightly to 4.8% in the reporting year (previous year: 5.1%). This was due to the strong sales growth with lower margins in the Services Business sector and COVID-19 effects.

Net profit was up 37.8% year-on-year to CHF 172.7 million, influenced heavily by the aforementioned IAS 19 gain. On a comparable basis, adjusted¹⁾ net profit amounted to CHF 138.0 million (+2.8%).

Investments in the financial year totalled CHF 57.0 million (previous year: CHF 53.0 million). They were used in particular for the roll-out of the new ERP system at Alloga and Galexis and for the renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens. These strategic efficiency projects will require further investments of around CHF 44–48 million until the planned completion of both projects by end-2023.

The Galenica Group's balance sheet remains very strong: adjusted¹⁾ net debt, i.e. excluding lease liabilities, increased by CHF 27.6 million and amounted to CHF 353.7 million at the end of 2020, corresponding to 1.7× adjusted EBITDA (end-2019: 1.5×).

¹⁾ See section Alternative performance measures from page 86 onwards in the Annual Report 2020 (full version).

Further expansion of offline and online pharmacy network

In spite of COVID-19, the Galenica Group continued to develop successfully and at a fast pace. 17 new pharmacies were added in the course of the year, with the network of own and partner pharmacies comprising a total of 522 locations throughout Switzerland at the end of 2020. Furthermore, the new mail-order pharmacy was launched, which delivers prescription medicines to the homes of Amavita, Sun Store and Coop Vitality customers.

Strong expansion of Verfora

Verfora secured the rights to various strong brands that ideally complement the portfolio in 2020. These include Bucco Tantum® and Thermacare® from Angelini Pharma, the pro- and prebiotic products OmniBiotic® from Allergosan and, with the acquisition of the Hedoga Group, the brands Osa®, Osanit® and Carmol®. In addition, the popular ointment Vita-Merfen® was relaunched on the Swiss market at the end of 2020.

Further progress on major projects and expansion of market share

The logistics companies Alloga and Galexis were also able to press ahead with major projects despite additional burdens. At Alloga, the new ERP (enterprise resource planning) system was put into operation with pilot partners, and work began on modernising and renovating the Galexis distribution centre in Lausanne-Ecublens. Galexis was also able to gain further market share in the doctors segment and offer new services such as compulsory pandemic inventories for pharmacies and doctors imposed by the authorities.

Conditions remain challenging

The market environment remains challenging. Various measures taken by the Federal Council to curb costs in the healthcare system are taking effect. Galenica is contributing to these cost reductions as we continue to promote generic substitution: in 2020, the generic substitution rate was increased from around 70% to 72%.

The current tariffs from the service-based remuneration for pharmacists (LOA IV) are only valid until the end of 2021. A new proposal was submitted to the Federal Council in May 2020 by Curafutura and Pharmasuisse with the aim of bringing LOA V into force on 1 January 2022. Further information can be found on pages 30–33.

Galenica prepares for the future

Against the backdrop of rapidly changing conditions, the strategic programmes Omni-channel, Care, Professionals, Efficiency and Transformation were launched in spring 2020 under the leadership of new CEO Marc Werner. The programmes are designed to effectively and rapidly implement the Group's strategy by prioritising key issues and helping to drive forward relevant projects.

In order to create the optimal conditions for its implementation, Galenica has adapted its organisational and management structure as of 1 January 2021. The new structure is consistently focused on customers, promotes collaboration within the Group and strengthens the pharmacy channel, both in stores and online. At the same time, new opportunities for synergy and efficiency are opening up.

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IN SPIKE OF COVID-19,
THE GALENICA GROUP
CONTINUED TO DEVELOP
SUCCESSFULLY
AND AT A FAST PACE.

Outlook for 2021

In its new composition and role, the Executive Committee will continue to focus on long-term issues such as the implementation of strategic programmes:

- the further expansion of the Omni-channel strategy and the improved efficiency of the logistics behind it;
- the development of new services and overall offers for patients and customers;
- the expansion and optimisation of the product range and services for business partners in the professional B2B market;
- the further improvement of operational efficiency.

At the same time, the new organisational structure will be implemented and further developed from an operational standpoint.

Thanks to shareholders, business partners, customers and employees

We would like to thank all our customers for their considerable understanding when confronted with partial delays in delivery and reduced availability of products in the spring. We are also grateful to our business partners for their continued close collaboration and trust during the events surrounding COVID-19.

The employees of the Galenica Group made an important contribution to overcoming the coronavirus pandemic in 2020 with their considerable commitment and unique dedication. Their performance deserves great respect and appreciation.

We would like to express our sincere thanks to all our shareholders for their continued confidence after a demanding financial year.

Bern, 9 March 2021



Daniela Bosshardt
Chairwoman of the
Board of Directors



Marc Werner
CEO



Temporary Amavita pharmacy in Zurich main station.