



# Health & Beauty Segment

## Focus on customer service remains the priority

The Health & Beauty segment comprises the Retail and Products & Brands Business sectors. In the Retail Business sector, Galenica operates the largest pharmacy network in Switzerland, giving it an excellent distribution network that offers unique potential for the sale of own, exclusive and partner brands. Through its Products & Brands Business sector, Galenica develops and markets own brands and products, as well as exclusive brands and products of its business partners.

## Net sales and operating result

In the first half of 2018, the Health & Beauty segment increased net sales by 2.5% to CHF 745.7 million, CHF 695.8 million of which was accounted for by the Retail Business sector and CHF 48.7 million by the Products & Brands Business sector. The operating result (EBIT) improved by 9.5% to CHF 54.3 million, while return on sales (ROS) rose markedly by 0.5 percentage points compared to the prior-year period to 7.3% (first half of 2017: 6.8%). This is an impressive result that demonstrates the further improvement in efficiency. Various measures and projects that were launched in recent years are now having a full effect on profitability. These include, for example, the switch to direct invoicing to health insurers, the consolidation of the central functions in the Retail Business sector and the continuing strengthening and optimisation of the pharmacy network. Investments in the Health & Beauty segment in the first half of 2018 totalled CHF 5.4 million.

## Expanded online offering

Investments continued to be made in the improvement and expansion of services and product range in the first half of 2018. For example, specific training sessions were organised for employees of all pharmacy formats on new products such as Adler Schüssler mineral salts, which Verfora has been distributing exclusively in Switzerland since 2017. Furthermore, the range in the online shops and the new ordering and pick up service Click & Collect launched in 2017 were also expanded, and already comprised around 16,000 products as of mid-2018, more than half as many again as at the end of 2017. At the same time, additional payment options were introduced for online orders and in-pharmacy purchases.

# 745.7

Net sales  
in million CHF

Galenica Group CHF 1,566.1 million

# 54.3

EBIT  
in million CHF

Galenica Group CHF 70.1 million



# 4,639

Number  
of employees

Galenica Group 6,328

# Retail Business sector

## Even closer to the customer

### Net sales development

The Retail Business sector increased net sales in the first half of 2018 by 2.6% compared to the prior-year period to CHF 695.8 million (excluding Coop Vitality). By way of comparison, medication sales (Rx and OTC products) in the Swiss pharmacy market as a whole grew by 2.9% in the same period (IQVIA, first half of 2018, Swissmedic therapeutic products lists A, B, C, D). By contrast, sales of other products (non-medications) continued to decline.

Nine pharmacies joined the own-pharmacy network in the first half of 2018, including seven acquisitions and two new openings. At the same time, three locations were removed as part of optimisation measures, meaning that Galenica managed 343 own pharmacies as of the end of June 2018. The expansion accounted for 1.0% net of the sales growth. On a comparable basis, sales increased by a total of 1.6%. Together with the Amavita and Winconcept partner pharmacies, the Galenica pharmacy network comprised 500 points of sale throughout Switzerland as of mid-2018.

The sales performance of the Retail Business sector was slowed by the effect of federal price reduction measures as well as the market-wide decline in beauty products. Generic substitution, which is actively promoted by Galenica, also affected sales because of the lower drug prices. By contrast, the Retail Business sector posted good sales for the cold medicines due to the strong flu season.

### New offerings and services

The Retail Business sector continued its efforts to strengthen and enhance customer proximity in 2018. As an important part of this process, collaboration throughout the entire Galenica Group was further intensified, notably with Galexis in the area of online shops logistics or with Verfora representatives with regard to new product launches. For instance, employees of all pharmacy formats received training on Adler Schüssler mineral salts after Verfora signed an exclusive partner agreement in 2017 and added the mineral salts to its portfolio.

The online ordering and pick up service Click & Collect introduced at Amavita, Sun Store and Coop Vitality in 2017 was progressively expanded with around 16,000 products available at the end of June 2018, more than half as many again as at the end of 2017 (end of 2017: around 10,000 items). The goal is to continually expand the range in the online shops and to be able to offer it to customers, including via Click & Collect. The fact that Click & Collect meets a customer need is demonstrated by the order volumes, which are growing by the month.

Additional payment tools were introduced in the first half of 2018, meaning that a range of options are available for both online orders and in pharmacies. For example, the payment app Twint has been introduced as a cashless payment option in all Amavita, Sun Store and Coop Vitality pharmacies.



## Health &amp; Beauty Segment – Retail Business sector

At the beginning of 2018, Galenica took over Careproduct. The company supplies walking frames, wheelchairs, incontinence products and other medical aids both online and offline. The range is geared in particular to older people and people with a disability who want to maintain or improve their mobility level. With Careproduct, the Retail Business sector has strengthened its market position with respect to online sales and expanded its customer offering, as the pharmacy formats are now able, for example, to also supply products that they themselves do not have in stock to their customers via Careproduct, and that are delivered directly to customers' homes.

### Growth thanks to more pharmacies

The Retail Business sector also invested significantly in the further strengthening and optimisation of its own pharmacy network in the first half of 2018: it comprised 500 points of sale as of mid-2018.

The second half of 2018 began with the 100% acquisition of the "Bahnhof Apotheke" pharmacy in Zurich main station, which saw Galenica integrate the pharmacy with the highest sales figures in Switzerland, enhancing its network with an extremely successful and strategically well-positioned location.

To make even better use of the strengths and competences of its pharmacies, Coop Vitality has developed a new, modern shop layout with a welcoming atmosphere. All locations are to be gradually renovated according to this concept in the coming years, starting with the locations in Biel/Bienne, Rorschach and Matran in the first half of 2018. The Coop Vitality pharmacies now also perform the Diabetes Check, which was previously only offered at Sun Store and Amavita. In turn, Amavita and Sun Store have introduced the Generics Check, whereby customers are personally advised about which of their medications can be replaced with generics.

Galenica makes an active contribution to reducing healthcare costs evolution through generic substitution. On a comparable basis, sales of generics thus rose again in the first half of 2018 (+8.3%). The substitution rate for medications for which a generic is available and for which substitution is also possible increased from 68% to 70%. A satisfyingly high percentage, taking into account the fact that prescribers often favour the original product for certain pathologies such as mental illnesses.

### Own pharmacies and shareholdings

	30.6.2018	31.12.2017	Change
Amavita pharmacies <sup>1)</sup>	162	157	+5
Sun Store pharmacies <sup>1)</sup>	97	97	–
Coop Vitality pharmacies (Joint venture with Coop) <sup>2)</sup>	77	75	+2
MediService speciality pharmacy <sup>1)</sup>	1	1	–
Majority holdings in other pharmacies <sup>1)</sup>	4	5	–1
Minority holdings in other pharmacies <sup>2)</sup>	2	2	–
<b>Total own points of sale</b>	<b>343</b>	<b>337</b>	<b>+6</b>

<sup>1)</sup> Fully consolidated

<sup>2)</sup> Consolidated at equity level

### Independent partners

	30.6.2018	31.12.2017	Change
Amavita partnerships	7	8	–1
Winconcept partner pharmacies	150	152	–2
<b>Total independent partners</b>	<b>157</b>	<b>160</b>	<b>–3</b>

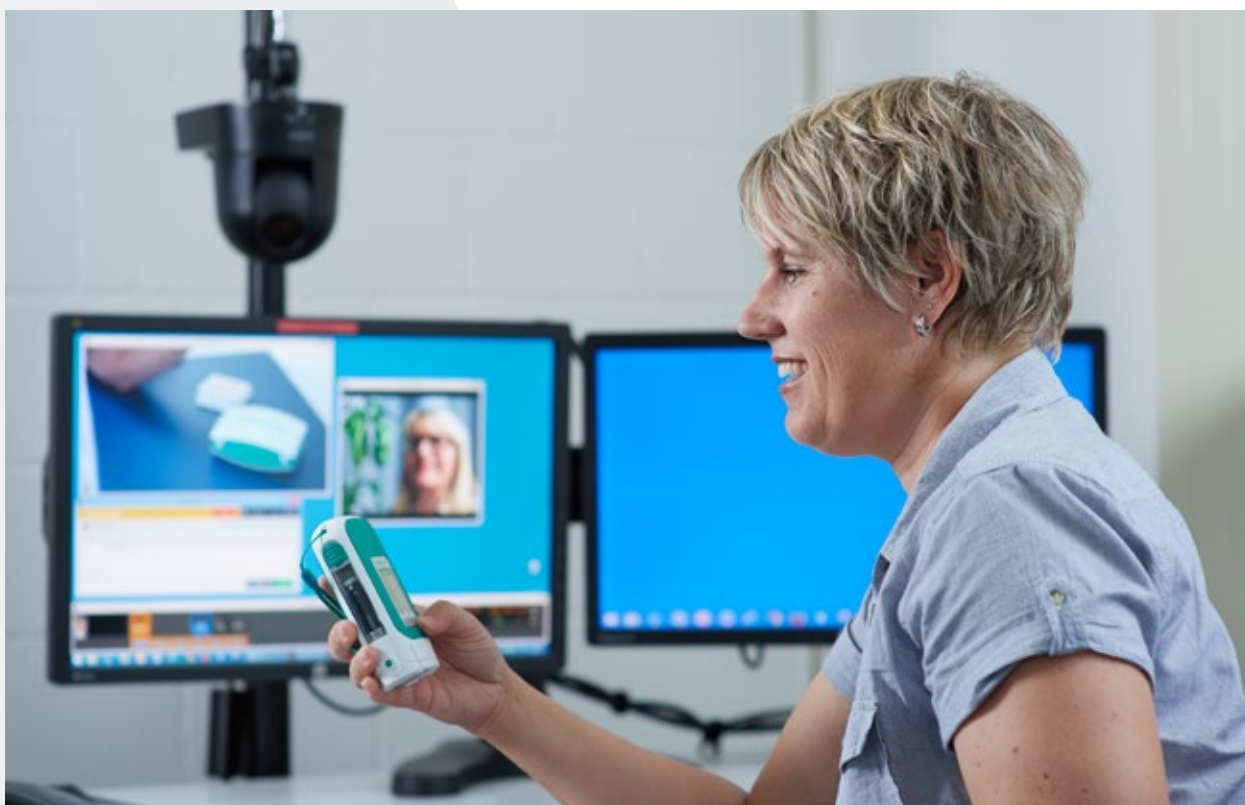
Winconcept, the Galenica service provider for independent pharmacies, not only launched a new website in the period under review, but also revised its customer magazine, which affiliated partner pharmacies can now personalise in order to strengthen their brand presence. The Process One quality management system, which is offered to both Winconcept and third-party pharmacies, is registering a growing number of users. With four arrivals and six departures, the number of Winconcept partner pharmacies decreased slightly in the first half of 2018, notably as some partners sought successors and sold their pharmacies, in some cases to Galenica.

The Aprioris pilot project, with its two walk-in clinics at the Amavita pharmacy in Adliswil (Zurich) and the Sun Store Métropole pharmacy in Lausanne, met with a positive response in its first year. The majority of cases were successfully treated and resolved thanks to the competence of the staff involved, and more than 95% of customers would rec-

ommend the service and use it again. Though customer flow is not currently in line with expectations, Galenica is benefitting overall from the pilot projects thanks to new experience and know-how, for example in the area of duty of documentation, as well as in processes, procedures and collaboration with partners. Galenica will define further steps in due course.

#### [Mediservice focuses on distance healthcare](#)

In the first half of 2018, Mediservice further strengthened its leading position as a service platform for the care and support of patients with chronic or rare illnesses, expanding its range of high and top price medications for cancer, haemophilia and multiple sclerosis patients. It has also launched services in distance healthcare such as video nursing which provides services from a central location via a screen to chronically ill patients at home.





# Products & Brands Business sector

## New name, same strategy

### Net sales development

In the first half of 2018, Products & Brands generated total sales of CHF 48.7 million, the same level as the prior year.

In the Swiss market, Products & Brands increased sales by a pleasing 3.7% to CHF 37.3 million. By comparison, the OTC market grew by 1.2% (IQVIA, first half of 2018) due to a strong flu season.

The sales performance in Products & Brands was driven by the strong growth of OTC products, particularly Algifor® and Merfen®. It was also boosted in the first half of 2018 by one-off additional sales of stocks to wholesalers: due to the change of name of Vifor Consumer Health to Verfora, from July 2018, Verfora, as a new marketing authorisation holder for pharmaceutical products, was not permitted to sell any products or packaging labelled with its former name. To avoid packaging relabelling costs, wholesalers were supplied with large quantities of the products concerned in the second quarter of 2018. It is therefore expected that order volumes will be lower in the second half of the year.

These additional sales of OTC products were offset by lower sales of beauty products, however: the launch of new beauty brands and associated build-up of inventory led to one-off sales in the first half of 2017 that were not repeated in the first half of 2018.

In contrast to the performance in the Swiss market, export sales declined by 10.8% to CHF 11.3 million, which was attributable in particular to sales generated from the launch of Anti-Brumm® Sun in Germany and Austria in the first half of 2017.

### Vifor Consumer Health became Verfora

As part of the division of the former Galenica Group in 2017, Galenica and Vifor Pharma agreed that Vifor Consumer Health would change its name to clearly signal to the market that it is no longer part of Vifor Pharma. The company has therefore been rebranded Verfora as of 1 June 2018. With the new identity, Verfora is able to position itself distinctively as an independent, strong partner for pharmacies and drugstores with its well-known brands and products. Verfora combines the two Latin terms “Veritas” and “Forum”. Veritas stands for objectivity, medical evidence and sincerity in the relationship between Verfora and its customer and between the brand and the consumer. The Forum is symbolic of a commitment to open, professional exchange and dialogue.

The introduction of the new packaging with the Verfora branding is proceeding as planned. The Company’s strategy continues unchanged, with Verfora positioned as a strong partner for pharmacies and drugstores, standing for an attractive product portfolio and dedicated training and support.





### Strong OTC sales

Due to the strong flu season, particularly marked in February and March 2018, as well as supply issues from competitors, the systemic pain relief market leader Algifor® performed very well and clearly exceeded OTC market growth. Algifor® Dolo Forte Liquid, a more concentrated liquid formula, was launched in the Swiss market. Triofan® maintained its strong market position as the number one nasal decongestant in Switzerland. Acquired by Galenica in 2017, the iconic Swiss wound treatment brand Merfen® performed well in the first half of 2018, giving Verfora leadership in the important “wound disinfection” Consumer Healthcare category.

### Further development of the portfolio

Significant investments were made in the first half-year 2018 to continue the company’s leading programme of education and training at point of sale, for instance with respect to the A-Derma skincare product line or the Adler Schüssler mineral salts. The portfolio of these mineral salts was enhanced with three unique new “Komplexmittel” products, combining six Schüssler mineral salts in one tablet.

In addition, Verfora has taken over the marketing and national distribution of the successful French Oenobiol® range of nutritional beauty supplements.

### New Perskindol® and Anti-Brumm® versions

The Global Brands Business unit introduced two new Perskindol® products; a convenient roll-on applicator and a bandage with a cooling effect. Furthermore, in May 2018, a child-friendly and highly effective Anti-Brumm® Kids formula was launched.