

Systemically important companies in the Swiss healthcare market



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

Dear Shareholders, Ladies and Gentlemen,

We have had an extraordinary and challenging six months. The coronavirus (COVID-19) and the associated measures implemented by the authorities to combat this pandemic meant that the entire Galenica Group was stretched to its limits in its core business from early March. Under these most difficult and unique circumstances, our employees made every effort to ensure the supply of medicines and healthcare products to the Swiss population. In doing so, the protection of patients and employees was always the top priority. The pandemic clearly showed the key role that the Galenica Group, with its systemically important companies, plays in the Swiss healthcare market.

At the start of March, the points of sale of all pharmacy formats and online shops posted higher-than-average sales and strong demand for healthcare advice. The logistics companies Alloga, Galexis and Unione Farmaceutica Distribuzione (UFD) handled never-before-seen volumes over a period of several weeks; and the Bichsel Group significantly ramped up its in-house production capacity for infusion and rinsing solutions as well as disinfectants to meet the increased demand from hospitals in particular. Due to these in-house production laboratories, the Federal Office for National Economic Supply (FONES) classified the Bichsel Group as a systemically important company.

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In parallel to our strong sales, we invested a great deal in protecting employees and customers. Handling the massive volume increases required additional staff and a high degree of coordination.

In April, following the national lockdown and due to many customers and patients having stocked up in March, customer traffic and sales in pharmacies declined rapidly and the situation for logistics companies in the Services segment returned to normal. From May, there was a gradual normalisation for the businesses.

In light of the extraordinary situation that we had to manage, we achieved a solid result in the first half of 2020, with sales of CHF 1,690.4 million and an EBIT of CHF 82.3 million.

We continued to actively promote generic substitution to reduce costs in the Swiss healthcare system. The generic substitution rate was increased again in the period under review, from 70% to 72%.

Supply to all patients thanks to different supply channels

The good network of local pharmacies combined with online and home care offerings as well as home delivery meant that we were able to ensure supply for our customers both in the pharmacies and via our online shops, even during the pandemic. We took the opportunity to create stronger links between the online and offline worlds, for example by combining the home delivery service with our Click & Collect offering. This offering was highly appreciated, in particular by customers belonging to a COVID-19 risk group.

Strong expansion activity

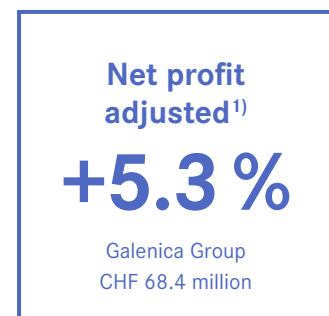
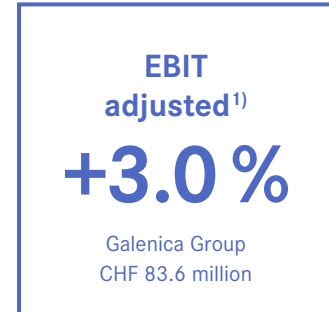
Verfora also strengthened its position in the period under review thanks to new distribution partnerships with Angelini Pharma for the Bucco Tantum® and Thermacare® brands. In addition, thanks to the new partnership with the Austrian Institut Allergosan and its excellent probiotic and prebiotic products under the Omni-Biotic® brand name, Verfora has been able to close a gap in its portfolio and enter the fastest-growing segment of the consumer healthcare market today.

On 1 July 2020, Galenica acquired the Hedoga Group with its well-known brands Osa®, Osanit® and Carmol®. Verfora has thus secured the rights to strong brands and marketing authorizations with potential that are an ideal complement to the current portfolio. The export business will also be expanded in a targeted manner.

In addition, Verfora will relaunch Vita-Merfen®, the well-known and popular ointment for disinfection and wound healing, by the end of 2020.



GIVEN THE EXTRA-ORDINARY SITUATION PRESENTED BY COVID-19, GALENICA SUCCEEDED IN POSTING A SOLID RESULT.



¹⁾ See Alternative performance measures section from page 27

New ERP system rolled out

Despite COVID-19, Alloga made further progress with the switch to the new ERP (enterprise resource planning) system. At the end of the pilot phase, the new system went live with additional pilot partners on 1 June 2020. By contrast, the authorities' lockdown measures led to delays of several months in the construction work for the renovation and modernisation of the Galexis distribution centre in Lausanne-Ecublens.

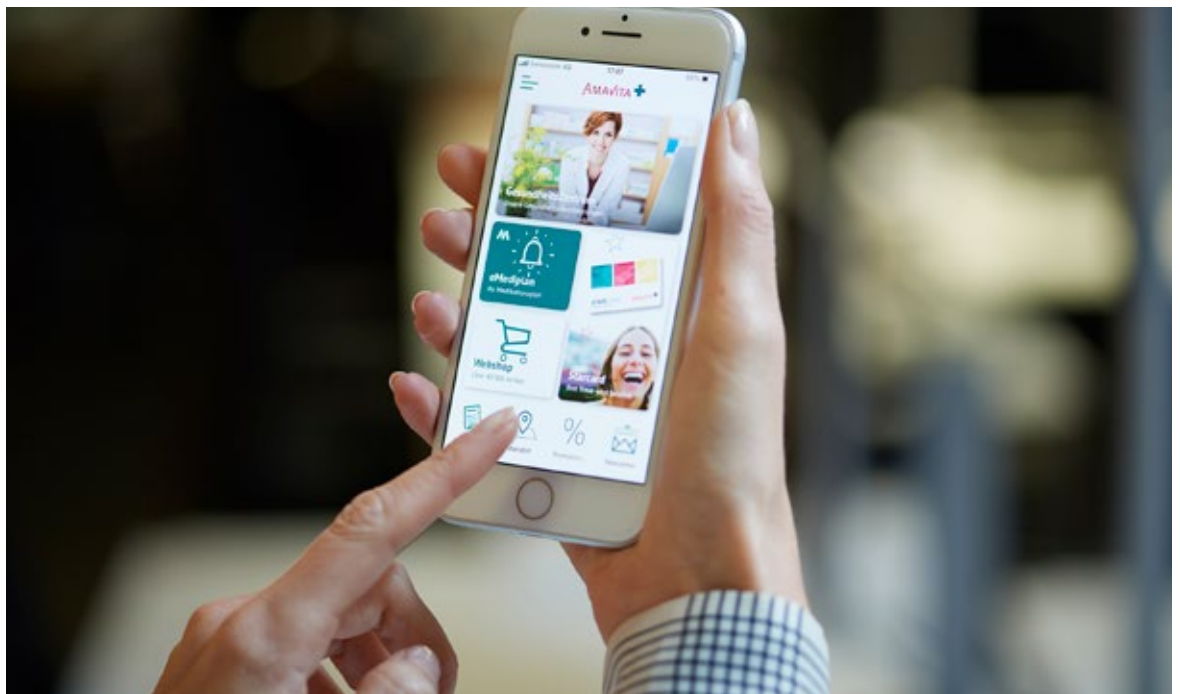
Strong pharmacy network and further development of the omni-channel strategy

With a total of six new points of sale, we were also able to further expand the pharmacy network; in July 2020 already three new pharmacies were added. After conducting an initial pilot in spring 2020 with Coop Vitality, a broad launch of the new mail-order pharmacy is also planned for Amavita in the second half of the year. Through this service, pharmacies can also send prescription medicines to their customers at home.

The coronavirus pandemic boosted the use of the digital channels and confirmed our omni-channel strategy. We will continue to focus on the digital channels and their interconnectivity, and consistently expand the digital market presence.

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Thanks to shareholders, business partners, customers and employees

We would like to thank our shareholders for their continued trust and look forward to welcoming them again personally at the next Annual General Meeting in May 2021. We wish to thank our business partners for the good cooperation, based on trust that has proven itself in exceptional circumstances such as COVID-19. Our thanks also go to our customers for the considerable understanding they demonstrated when confronted with delivery delays and limited availability of products. And we would like to express our sincere thanks to all our employees for their outstanding commitment and hard work.

Bern, 4 August 2020



Daniela Bosshardt
Chairwoman of the
Board of Directors



Marc Werner
CEO

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WE TOOK THE OPPORTUNITY TO CREATE STRONGER LINKS BETWEEN THE ONLINE AND OFFLINE WORLDS.

Change of CEO in the second quarter

As previously announced, Marc Werner succeeded Jean-Claude Cléménçon 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. Jean-Claude Cléménçon took early retirement in mid 2020.

Extraordinary Annual General Meeting

As a result of the measures ordered by the authorities in connection with COVID-19, the 3rd Annual General Meeting of Galenica Ltd. was

held on 19 May 2020 without the physical attendance of shareholders. They had the option to exercise their rights in advance by issuing instructions to the independent proxy. All proposals were approved with well over 90% of votes in favour. The Annual General Meeting elected Pascale Bruderer as a new member of the Board of Directors. She replaces Fritz Hirsbrunner who, after more than 40 years with Galenica, decided not to stand for re-election.

